

# CRS Report for Congress

## **Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests**

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**Prepared for Members and  
Committees of Congress**

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# Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests

## Summary

The United States recognized the independence of Armenia, Azerbaijan, and Georgia when the former Soviet Union broke up at the end of 1991. The United States has fostered these states' ties with the West in part to end the dependence of these states on Russia for trade, security, and other relations. The United States has pursued close ties with Armenia to encourage its democratization and because of concerns by Armenian-Americans and others over its fate. Close ties with Georgia have evolved from U.S. contacts with its pro-Western leadership. The Bush Administration supports U.S. private investment in Azerbaijan's energy sector as a means of increasing the diversity of world energy suppliers. The United States has been active in diplomatic efforts to resolve regional conflicts in the region.

As part of the U.S. Global War on Terror, the U.S. military in 2002 began providing equipment and training for Georgia's military and security forces. Azerbaijani troops participate in stabilization efforts in Afghanistan and Iraq, and Armenian and Georgian personnel have served in Iraq. Georgia's troops left Iraq in August 2008, to help provide homeland security in the wake of Russia's invasion and partial occupation of Georgia. A ceasefire provides for Russian troops to withdraw from areas outside of Georgia's breakaway Abkhazia and South Ossetia, and for the deployment of observers from the European Union. Although Russia recognized the independence of Abkhazia and South Ossetia, the United States and virtually all other nations have upheld Georgia's sovereignty and territorial integrity.

Key issues in the 2<sup>nd</sup> Session of the 110<sup>th</sup> Congress regarding the South Caucasus are likely to focus on supporting Georgia's integration into Western institutions, including NATO; Azerbaijan's energy development; and Armenia's independence and economic development. At the same time, concerns might include the status of human rights and democratization in the countries, the on-going Armenia-Azerbaijan conflict over the breakaway Nagorno Karabakh region, and threats posed to Georgia by Russian economic sanctions and military actions. Congress will likely scrutinize Armenia's and Georgia's reform progress as recipients of Millennium Challenge Account grants. Some Members of Congress believe that the United States should provide greater attention to the region's increasing role as an east-west trade and security corridor linking the Black Sea and Caspian Sea regions, and to Armenia's inclusion in such links. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, and Islamic extremism and to bolster the independence of the states. Others urge caution in adopting policies that will heavily involve the United States in a region beset by ethnic and civil conflicts.

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# Armenia, Azerbaijan, and Georgia: Political Developments and Implications for U.S. Interests

## Most Recent Developments

In his address at the U.N. General Assembly on September 23, 2008, Georgian President Mikheil Saakashvili stated that Russia's "invasion violated Georgia's internationally recognized borders. The subsequent recognition of the so-called 'independence' of our two regions of South Ossetia and Abkhazia challenged our territorial integrity." He called on the world community to "adopt a non-recognition policy" toward the regions, to ensure that "all parties comply with the full terms of the existing [Russia-Georgia] ceasefire agreement," to immediately "create a meaningful U.N. conflict resolution process that will peacefully reunify Georgia," and to conduct "an exhaustive, independent investigation of the origins and causes of this war." He announced new democratization initiatives, thanked French President Nicolas Sarkozy "for his dedication to ensuring that the ceasefire is fully implemented, in letter and in spirit," praised the international community for providing aid for rebuilding, and pledged safeguards to make sure that the aid is wisely spent (see also below, "Civil and Ethnic Conflict in Georgia").

## Background

Armenia, Azerbaijan, and Georgia are located south of the Caucasus Mountains that form part of Russia's borders (see **Figure 1**). The South Caucasus states served historically as a north-south and east-west trade and transport "land bridge" linking Europe to the Middle East and Asia, over which the Russian Empire and others at various times endeavored to gain control. In ancient as well as more recent times, oil and natural gas resources in Azerbaijan attracted outside interest. All three peoples can point to periods of past autonomy or self-government. After the Russian Empire collapsed in 1917, all three states declared independence, but by early 1921 all had been re-conquered by Russia's Red (Communist) Army. They regained independence when the Soviet Union collapsed in 1991.<sup>1</sup>

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<sup>1</sup> For background, see CRS Report RS20812, *Armenia Update*, by Carol Migdalovitz; CRS Report 97-522, *Azerbaijan: Recent Developments and U.S. Interests*, by Jim Nichol; and CRS Report 97-727, *Georgia: Recent Developments and U.S. Interests*, also by Jim Nichol.

### **The Caucasus Region: Basic Facts**

**Area:** The region is slightly larger than Syria: Armenia is 11,620 sq. mi.; Azerbaijan is 33,774 sq. mi.; Georgia is 26,872 sq. mi.

**Population:** 15.8 million, similar to Netherlands; Armenia: 2.97 m.; Azerbaijan: 8.18 m.; Georgia: 4.63 m. (*The World Factbook*, July 2008 est.). Over a million people from the region are migrant workers in Russia and elsewhere.

**GDP:** \$103.1 billion: Armenia: \$17.15 b.; Azerbaijan: \$65.47 b.; Georgia: \$20.5 b. (*World Factbook*, 2007 est., purchasing power parity)

## **Overview of U.S. Policy Concerns**

By the end of 1991, the United States had recognized the independence of all the former Soviet republics. The United States pursued close ties with Armenia, because of its profession of democratic principles, and concerns by Armenian-Americans and others over its fate. The United States pursued close ties with Georgia after Eduard Shevardnadze (formerly a pro-Western Soviet foreign minister) assumed power there in early 1992. Faced with calls in Congress and elsewhere for a U.S. aid policy for the Eurasian states, then-President George H.W. Bush sent the FREEDOM Support Act to Congress, which was signed with amendments into law in October 1992 (P.L. 102-511).

In June 2006, Deputy Assistant Secretary of State Matthew Bryza stated that the United States has three inter-related sets of interests in the region: “we’re not embarrassed to say that energy is a strategic interest. We [also] have ... traditional security interests — meaning fighting terrorism, fighting proliferation, avoiding military conflict, and restoring (or preserving, in some cases) the territorial integrity of the states of the region.... And then we have a third set of interests, in ... democratic and market economic reform ... based on our belief that stability only comes from legitimacy. And legitimacy requires democracy on the political side and prosperity on the economic side.” More recently, Assistant Secretary of State Daniel Fried testified that “we want to help the nations of this region travel along the same path toward freedom, democracy, and market-based economies that so many of their neighbors to the West have traveled.... We do not believe that any outside power — neither Russia nor any other — should have a sphere of influence over these countries. No outside power should be able to threaten, pressure, or block the sovereign choice of these nations to join with the institutions of Europe and the transatlantic family.”<sup>2</sup>

In addition, U.S. policy toward the South Caucasus states includes promoting the resolution of conflicts between Armenia and Azerbaijan over Azerbaijan’s breakaway Nagorno Karabakh (NK) region and between Georgia and its breakaway regions of Abkhazia and South Ossetia. Since 1993, successive U.S. Special

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<sup>2</sup> “U.S. Says Aliyev, Kocharyan Must Show ‘Political Will,’” *RFE/RL*, June 23, 2006. U.S. House of Representatives. Committee on Foreign Affairs. Hearing: The Caucasus, Frozen Conflicts and Closed Borders. *Testimony of Daniel Fried*, June 18, 2008.

Negotiators for Eurasian Conflicts have helped in various ways to try to settle these “frozen” conflicts. (In early 2006, the State Department eliminated this post and divided its responsibilities among the Deputy Assistant Secretary of State and the Office of Caucasus Affairs and Regional Conflicts.)<sup>3</sup> Congressional concerns about the NK conflict led to the inclusion of Section 907 in the FREEDOM Support Act, which prohibits U.S. government-to-government assistance to Azerbaijan, except for non-proliferation and disarmament activities, until the President determines that Azerbaijan has taken “demonstrable steps to cease all blockades and other offensive uses of force against Armenia and NK” (on waiver authority, see below). Provisions in FY1996, FY1998, and FY1999 legislation eased the prohibition by providing for humanitarian, democratization, and business aid exemptions.

Some observers argue that developments in the South Caucasus are largely marginal to U.S. interests. They urge great caution in adopting policies that will heavily involve the United States in a region beset by ethnic and civil conflicts, and some argue that, since the European Union has recognized the region as part of its “neighborhood,” it rightfully should play a major role. Some observers argue that the U.S. interest in democratization should not be subordinated to interests in energy and anti-terrorism.<sup>4</sup>

Other observers believe that U.S. policy now requires more active engagement in the region. They urge greater U.S. aid and conflict resolution efforts to contain warfare, crime, smuggling, and Islamic extremism and to bolster the independence of the states. Some argue that such enhanced U.S. relations also would serve to “contain” Russian and Iranian influence and that close U.S. ties with Azerbaijan would benefit U.S. relations with other Islamic countries, particularly Turkey and the Central Asian states. They also point to the prompt support offered to the United States by the regional states in the aftermath of the September 11, 2001, attacks by Al Qaeda on the United States. Some argue that energy resources in the Caspian region are a central U.S. strategic interest, because Azerbaijani and Central Asian oil and natural gas deliveries could lessen Western energy dependency on Russia and the Middle East (see below, *Energy Resources*).

In the wake of the Russia-Georgia conflict (see below), Vice President Cheney visited Georgia and Azerbaijan in early September 2008. In Georgia, he stated that “[Saakashvili] and his democratically elected government can count on the continued support and assistance of the United States.” He pledged U.S. aid to help Georgians

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<sup>3</sup> According to a report by the State Department’s Office of the Inspector General, the added duties of the Office of Caucasus Affairs and Regional Conflicts and the relevant deputy assistant secretary were not accompanied by increased staff support, and “some miscommunications and divergence of expectations between [the State Department] and the [U.S. Embassy in Azerbaijan] have occurred as a consequence.” U.S. Department of State. *Report of Inspection: Embassy Baku, Azerbaijan*, Report Number ISP-I-07-40A, September 2007.

<sup>4</sup> U.S. House of Representatives. Committee on Foreign Relations. Subcommittee on International Organizations, Human Rights, and Oversight. *Ideals vs. Reality in Human Rights and U.S. Foreign Policy: The Cases of Azerbaijan, Cuba, and Egypt*, July 12, 2007; U.S. Commission on Security and Cooperation in Europe. *Energy and Democracy*, July 23, 2007.

“to overcome an invasion of your sovereign territory, and an illegitimate, unilateral attempt to change your country’s borders by force.... We will help [you] to heal this nation’s wounds, to rebuild this economy, and to ensure Georgia’s democracy, independence and further integration with the West.”<sup>5</sup>

In Azerbaijan, Vice President Cheney stated that “the United States has deep and abiding interests in [Azerbaijan’s] well being and security.” He averred that the United States is “committed to achieving a negotiated solution to the NK conflict, a solution that starts with the principle of territorial integrity, and takes into account other international principles. Achieving a solution is more important now than ever before; that outcome will enhance peace and stability in the region, and Azerbaijan’s security, as well.” He praised Azerbaijan’s cooperation with Western countries in the energy sphere and thanked Azerbaijan for its contribution to the global war against terrorism. He also voiced U.S. support for “the people of Azerbaijan in their efforts, often in the face of great challenges, to strengthen democracy, the rule of law, and respect for human rights, and to build a prosperous, modern, independent country.”<sup>6</sup>

**Post-September 11.** In the wake of September 11, 2001, the United States obtained quick pledges from the three South Caucasian states to support Operation Enduring Freedom (OEF) in Afghanistan, including overflight rights and Azerbaijan’s and Georgia’s offers of airbase and other support. Congressional attitudes toward Azerbaijan and Section 907 shifted, resulting in presidential waiver authority being incorporated into Foreign Operations Appropriations for FY2002 (H.R. 2506; P.L. 107-115). The President may use the waiver authority if he certifies that U.S. aid supports U.S. counter-terrorism efforts, supports the operational readiness of the armed forces, is important for Azerbaijan’s border security, and will not harm NK peace talks or be used for offensive purposes against Armenia. The waiver may be renewed annually, and sixty days after the exercise of the waiver, the President must report to Congress on the nature of aid to be provided to Azerbaijan, the military balance between Armenia and Azerbaijan and the effects of U.S. aid on that balance, the status of Armenia-Azerbaijan peace talks, and the effects of U.S. aid on those talks. President Bush has exercised the waiver annually, most recently in March 2008.

Since late 2002, Azerbaijan has contributed troops for peacekeeping in Afghanistan. In October 2007, Azerbaijan’s legislature approved doubling the number of troops it deploys to Afghanistan. Georgia contributed about 50 troops during Afghan elections in late 2004-early 2005. In October 2007, Georgia’s President Mikheil Saakashvili stated that Georgia intended to send troops to support NATO in Afghanistan. NATO reported in June 2008 that there were 45 Azerbaijani troops participating in the International Security Assistance Force in Afghanistan.

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<sup>5</sup> The White House. Office of the Vice President. *Remarks by Vice President Cheney and President Saakashvili of Georgia After Meeting*, September 4, 2008.

<sup>6</sup> The White House. Office of the Vice President. *Remarks by Vice President Cheney and President Aliyev of the Republic of Azerbaijan After Meeting*, September 3, 2008.



**Operations in Iraq.** Azerbaijan and Georgia were among the countries that openly pledged to support the U.S.-led Operation Iraqi Freedom (OIF), with both offering the use of their airbases, and to assist the United States in re-building Iraq. Both countries agreed to participate, subject to U.S. financial support, in the multinational stabilization force for Iraq. In August 2003, both Azerbaijan and Georgia dispatched forces to Iraq. Azerbaijan's infantry company (currently 150 troops) is embedded with the U.S. Marines at the Hadithah Dam and provides perimeter security and force protection. Georgia augmented its troops over time until 2,000 were serving in 2007-2008, the third-largest number of troops in Iraq, after the United States and the United Kingdom. One special forces battalion was stationed near Baqubah and provided security for two bridges and three forward operating bases. The other battalion was stationed at the International Zone in Baghdad and provided security for the U.N. assistance mission. All 2,000 troops were pulled out in August 2008 in connection with the Russia-Georgia conflict (see below). Armenia began sending personnel to Iraq in January 2005, where 46 currently serve in a transportation platoon that carries out convoy missions; an engineer team that performs road reconnaissance, manages explosive materials storage and destruction, clears roads, and acts as a part of a quick reaction force with the El Salvadorian Battalion; and a medical team that works in the Polish Field Hospital.

## **The South Caucasus's External Security Context**

### **Russian Involvement in the Region**

After Vladimir Putin became president in 1999, Russia appeared to place great strategic importance on maintaining influence in the South Caucasus region. Several developments since 2003, however, appeared to complicate these influence efforts. These included the "rose revolution" in Georgia, NATO's increased ties with the regional states, the completion of the Baku-Tbilisi-Ceyhan oil pipeline (and an associated gas pipeline), Russia's ongoing concerns about security in its North Caucasus regions (including Chechnya), and Russia's agreement to close its remaining military bases in Georgia.

Recently, Russia has appeared to place its highest priority on exercising influence in the region in the military-strategic sphere and slightly less priority on influence in the economic sphere (particularly energy) and domestic political spheres. Russia has viewed Islamic fundamentalism as a growing threat to the region, but has cooperated with Iran on some issues to counter Turkish and U.S. influence. Russia has tried to stop ethnic "undesirables," drugs, weapons, and other contraband from entering its borders. It has quashed separatism in its North Caucasus areas while seemingly backing it in the South Caucasus. It is the main source of security and economic support for separatist Abkhazia and South Ossetia.<sup>7</sup>

The South Caucasian states have responded in various ways to Russian influence. Armenia has close security and economic ties with Russia, given its

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<sup>7</sup> "Separatist Abkhazia a Paradise for Russian Tourists," *Agence France-Presse*, July 19, 2006; "Breakaway Region's Fate in Limbo," *Agence France-Presse*, July 19, 2006.

unresolved NK conflict and grievances against Turkey. Georgia has attempted to end Russia's military presence, including in the breakaway regions. Azerbaijan has been concerned about Russia's ties with Armenia, has worked to ensure that its energy resources are not controlled by Russia, and has limited Russia's military presence. Until late 2006, it appeared that Azerbaijan valued having some cooperative relations with Russia, and criticized Georgia's inability to maintain such ties with Russia. However, Azerbaijani-Russian relations seemed to cool somewhat after late 2006 when Russia's demands for higher gas prices and moves against migrant workers contributed to greater solidarity between Azerbaijan and Georgia.

NATO's September 21, 2006, approval of an "Intensified Dialogue" with Georgia on reforms needed that might lead to membership appeared to contribute to heightened concerns in Russia about NATO enlargement and about an increased U.S. presence in the South Caucasus. Later that month, Georgian-Russian tensions appeared to come to a head after Georgia arrested four Russian servicemen on charges of espionage and plotting to overthrow the Saakashvili government. Although Georgia soon handed over the servicemen, Russia retaliated in a form viewed as troubling by many international observers, including cutting off financial flows to Georgia, severing direct transport and postal links (Russia had banned imports of Georgian wine, mineral water, and other agricultural products in spring 2006), ending the issuing of visas, raiding ethnic Georgian-owned businesses, expelling hundreds of Georgians, and compiling lists of ethnic Georgians in the public schools. Russia sent its ambassador back to Tbilisi in January 2007, but continued to restrict most trade.

Russia's announcement in late July 2007 that it would ease some visa restrictions raised hopes of a thaw in Georgia-Russia relations, but such hopes were quickly dashed in early August 2007. Georgia alleged that some aircraft were tracked on its radars as they entered the country's airspace from Russia, and that one launched a missile which failed to detonate. A group of experts from Latvia, Lithuania, Sweden, and the United States concluded that one aircraft entering from Russia dropped a Russian-designed KH-58 (NATO designation AS-11 Kilter) anti-radar air to surface missile.<sup>8</sup>

**Caspian Energy Resources.** Russia has tried to play a major role in future oil production and transportation in the Caspian Sea region. At the May 2002 U.S.-Russia summit, the two presidents issued a joint statement endorsing multiple pipeline routes, implying Russia's non-opposition to plans to build oil and gas pipelines from Azerbaijan to Turkey that do not transit Russia. In early 2004, however, a Russian official stated that Putin wanted to ensure that the greatest

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<sup>8</sup> *Report from the International Group of Experts Investigating the Possible Violation of Georgian Airspace and the Recovered Missile Near Tsitelubani, Georgia, 6 August 2007, August 14, 2007; Second Independent Inter-Governmental Expert Group (IIEG-2). Report Investigating Possible Violations of Georgian Airspace and the Recovered Missile near Tsitelubani, Georgia, 6 August 2007, August 20, 2007; States News Service, Press Conference by Russian Federation, August 21, 2007; CEDR, August 8, 2007, Doc. No. CEP-950011.*

volume of Caspian energy flowed through Russia.<sup>9</sup> A U.S.-Russia Strategic Framework Declaration, issued in April 2008, reaffirmed the goal of enhancing the “diversity of energy supplies through economically viable routes and means of transport.”<sup>10</sup>

In early 2006, Russia charged all three regional states much more for gas. Armenia agreed to relinquish various energy assets to Russian firms as partial payment for this price increase. Some critics have alleged that Russia now has virtual control over Armenia’s energy supplies. In late 2006, Russia again requested price hikes for 2007. In the case of Georgia, Russia’s state-controlled Gazprom gas firm announced in late 2006 that it would cut off gas supplies to Georgia by the end of the year unless Georgia agreed to a 100% price hike or sold its main gas pipeline to Gazprom. However, Georgia negotiated an agreement to receive some Azerbaijani gas via the new South Caucasus Pipeline (SCP, see below) and another small existing pipeline. It also agreed to continue to purchase some higher-priced gas from Gazprom. Russia’s requests for higher prices and reductions in the amounts of gas and electricity supplied to Azerbaijan led President Aliyev to announce that the country would no longer purchase Russian gas (however, agreement was reached to provide the same amount of Russian electricity as in 2006, but at a higher price). In the Winter of 2007-2008, Georgia again had to purchase some gas from Gazprom at higher prices, to supplement that supplied by Azerbaijan.

**Military-Strategic Interests.** Russia’s armed presence in the South Caucasus has been multifaceted, including thousands of military base personnel, “peacekeepers,” and border troops. The first step by Russia in maintaining a military presence in the region was the signing of the Commonwealth of Independent States (CIS) Collective Security Treaty (CST) by Armenia, Russia, and others in 1992, which pledges the members to consult in the event of a threat to one or several members, and to provide mutual aid if attacked (Azerbaijan and Georgia withdrew in 1999). Russia also secured permission for two military bases in Armenia and four in Georgia. Russian border troops guard Armenia’s borders with Turkey and Iran. The total number of Russian troops in Armenia has been estimated at about 3,500. Armenia has argued that its Russian bases provide for regional stability by protecting it from attack. More than 100,000 Russian troops also are stationed nearby in the North Caucasus.<sup>11</sup> In 1993, Azerbaijan was the first Eurasian state to get Russian troops to withdraw, except at the Qabala (Gabala) radar site in northern Azerbaijan. (Giving up on closing the site, in January 2002 Azerbaijan signed a 10-year lease agreement with Russia permitting up to 1,500 troops there.)

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<sup>9</sup> The White House. Office of the Press Secretary. *Joint Statement by President George W. Bush and President Vladimir V. Putin on the New U.S.-Russian Energy Dialogue*, May 24, 2005. For the statement by Viktor Kalyuzhny, Putin’s Special Envoy to the Talks on the Legal Status of the Caspian Sea, see *CEDR*, April 6, 2004, Doc. No. CEP-17.

<sup>10</sup> The White House. Office of the Press Secretary. *US-Russia Strategic Framework Declaration*, April 6, 2008.

<sup>11</sup> *The Military Balance 2005-2006*. London: International Institute of Strategic Studies, 2005.

After the September 11, 2001 terrorist attacks in the United States, Russia stepped up its claims that Georgia harbored Chechen terrorists (with links to Al Qaeda) who used Georgia as a staging ground for attacks into Chechnya. The United States expressed “unequivocal opposition” to military intervention by Russia inside Georgia. Georgia launched a policing effort in its northern Pankisi Gorge in late 2002 that somewhat reduced tensions over this issue. In February 2004, Saakashvili reportedly pledged during a Moscow visit to combat “Wahabbis” (referring to Islamic extremists) in Georgia, including those hiding in the Gorge and others that Russia alleged were transiting Georgia to fight in Chechnya. In April 2006, Azerbaijan convicted 16 people on charges that they had received terrorist training from Al Qaeda operatives in the Pankisi Gorge. Russia’s security service reported at the end of November 2006 that it had killed Al Qaeda member Faris Yusef Amirat (aliases included Abu Haf and Amzhet). It alleged that he had hidden in the Pankisi Gorge during the winter of 2005-2006, had operated in Chechnya in the summer of 2006, and was returning to the Gorge when he was killed in Russia’s Dagestan region.<sup>12</sup>

At the June 2007 summit of the Group of Eight (G-8) industrialized countries, President Putin proposed that President Bush consider using Russia’s Soviet-era missile radar in Qabala as an early warning system. Putin claimed that the radar would be able to detect possible tests by Iran of a missile that could target Europe, and would render unnecessary or premature U.S. plans to build a radar site in Czech Republic and an interceptor missile site in Poland.<sup>13</sup> On June 10, Azerbaijani President Aliyev reportedly stated that the possible joint U.S.-Russia use of the radar might enhance Azerbaijan’s strategic ties with both countries. A U.S., Russian, and Azerbaijani delegation toured the radar site in September 2007. The United States did not deem the radar as capable of substituting for facilities in Czech Republic.

**Russian “Peacekeepers”.** As part of ceasefire agreements between Georgia and its breakaway regions in the early 1990s, Russia as the mediator sent military “peacekeepers” to Abkhazia and South Ossetia. Russia’s “peacekeeping” role at that time received at least tacit approval from world governments and international organizations. For many years, Georgian authorities voiced dissatisfaction with the role of the “peacekeepers” in facilitating a peace settlement (see also below, *Conflict in Georgia*). Finally, in October 2005, the Georgian legislature called on the Saakashvili government to certify by July 2006 that the activities undertaken by Russian “peacekeepers” were contributing to peace settlements. If the government was unable to make these certifications as stipulated, then it must request that the “peacekeepers” leave, according to the resolution. A Georgian National Military Strategy document released in November 2005 was blunt, terming Russian “peacekeepers” and bases security threats.

In February 2006 Georgia’s legislature approved a resolution calling for the president to revoke the 1992 agreement providing for Russian “peacekeeping” in South Ossetia. The resolution accused Russia of aiming to annex the region and

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<sup>12</sup> CEDR, November 27, 2006, Doc. No. CEP-358003. For background, see CRS Report RS21319, *Georgia’s Pankisi Gorge*, by Jim Nichol.

<sup>13</sup> CEDR, March 5, 2007, Doc. No. CEP-358007; May 17, 2007, Doc. No. CEP-4009; May 24, 2007, Doc. No. CEP-950157; June 7, 2007, Doc. No. CEP-950369.

urged greater international involvement in peacekeeping and a peace settlement. The U.S. State Department urged Georgia not to abandon the existing peace process.

Since the Georgian government did not certify that Russian “peacekeepers” contributed to peace settlements in Abkhazia and South Ossetia, the Georgian legislature in mid-July 2006 approved a resolution calling on the government to replace the Russian “peacekeepers” with an international police contingent. No deadline was specified. Russia’s Foreign Minister Sergey Lavrov denounced the resolution as war-mongering and warned Georgia that Russian “peacekeepers” would protect “our citizens” in South Ossetia and Abkhazia from attack by Georgia (Russia had granted citizenship to the majority of Abkhazians and South Ossetians).

***Russia’s Bases in Georgia.*** In 1999, Russia and Georgia agreed to provisions of the adapted Conventional Armed Forces in Europe (CFE) Treaty calling for Russia to reduce weaponry at its four bases in Georgia, to close two of the bases (at Gudauta and Vaziani) by July 2001, and to complete negotiations during 2000 on the status of the other two bases (at Batumi and Akhalkalaki). NATO signatories hesitated to ratify the amended Treaty until Russia satisfied these and other conditions. On July 1, 2001, Georgia reported that Russia had turned over the Vaziani base. Russia declared in June 2002 that it had closed its Gudauta base, but that 320 troops would remain to support Russian “peacekeepers” taking leave at the base.<sup>14</sup> Georgia objects to this stance (see below).

The Georgian legislature in March 2005 passed a resolution calling for Russia to agree by mid-May on closing the bases or face various restrictions on base operations. This pressure, and perhaps the U.S. presidential visit (see above), spurred Russia to agree with Georgia in late May on setting the end of 2008 as the deadline for closing the bases. Putin explained that his military General Staff had assured him that the bases were Cold War-era relics of no strategic importance to Russia.<sup>15</sup> On June 27, 2007, Russia formally handed over the Akhalkalaki base to Georgia’s control. On November 21, 2007, the Russian Foreign Ministry proclaimed that the Batumi base had been closed and that Russia had “fully” accomplished its obligations to Georgia on the withdrawal of military facilities. Georgia continues to protest that the Gudauta base retains some Russian forces and equipment and has not been handed over to Georgia’s control.

## **The Roles of Turkey, Iran, and Others**

The United States has generally viewed Turkey as able to foster pro-Western policies and discourage Iranian interference in the South Caucasus states, though favoring Azerbaijan in the NK conflict. Critics of Turkey’s larger role in the region caution that the United States and NATO might be drawn by their ties with Turkey into regional imbroglios. Turkey seeks good relations with Azerbaijan and Georgia

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<sup>14</sup> A Russian military analyst reported in early 2007 that there also were nine aircraft and ten helicopters at “airbase Gudauta.” *CEDR*, May 3, 2007, Doc. No. CEP-305001.

<sup>15</sup> *CEDR*, May 24, 2005, Doc. No. CEP-378001. In June 2007, two Russian mountain brigades consisting of about 4,500 troops began to deploy near Georgia’s borders, ostensibly to enhance security after the base closures. *RIA Novosti*, June 26, 2007.

and some contacts with Armenia, while trying to limit Russian and Iranian influence. Azerbaijan likewise views Turkey as a major ally against such influence, and to balance Armenia's ties with Russia. Armenia is a member of the Black Sea Economic Cooperation organization, along with Turkey, and the two states have established consular relations. Obstacles to better Armenian-Turkish relations include Turkey's rejection that there was an Armenian genocide in 1915-1923 and its support for Azerbaijan in the NK conflict. Georgia has an abiding interest in ties with the approximately one million Georgians residing in Turkey and the approximately 50,000 residing in Iran, and has signed friendship treaties with both states. Turkey is one of Georgia's primary trade partners. New pipelines delivering oil and gas westward from the Caspian Sea reflect cooperation between Azerbaijan, Georgia, and Turkey.

Iran's goals in the South Caucasus include discouraging Western powers such as Turkey and the United States from gaining influence (Iran's goal of containing Russia conflicts with its cooperation with Russia on these interests), ending regional instability that might threaten its own territorial integrity, and building economic links. A major share of the world's Azerbaijanis reside in Iran (estimates range from 6-12 million), as well as about 200,000 Armenians. Ethnic consciousness among some "Southern Azerbaijanis" in Iran has grown. Azerbaijani elites fear Iranian-supported Islamic extremism and object to Iranian support to Armenia. Iran has growing trade ties with Armenia and Georgia, but its trade with Azerbaijan has declined. To block the West and Azerbaijan from developing Caspian Sea energy, Iran long has insisted on either common control by the littoral states or the division of the seabed into five equal sectors. Some thawing in Azerbaijani-Iranian relations occurred in 2005-2006 with the long-delayed opening of an Azerbaijani consulate in Tabriz and various leadership summits.

In recent months, Iran has boosted its diplomacy in the region, perhaps to counter growing international concern about its nuclear programs and to counter U.S. influence. Iran's efforts to improve relations with Azerbaijan have appeared to be jeopardized, however, by its reported suppression of rising dissent among "Southern Azerbaijanis." U.S. policy aims to contain Iran's threats to U.S. interests.<sup>16</sup>

Among non-bordering states, the United States and European states are the most influential in the South Caucasus in terms of aid, trade, exchanges, and other ties. U.S. and European goals in the region are broadly compatible, involving integrating it into the West and preventing an anti-Western orientation, opening it to trade and transport, obtaining energy resources, and helping it become peaceful, stable, and democratic. As part of its European Neighborhood Policy, the EU signed Action Plans with the three regional states in November 2006 that it hoped would foster both European and regional integration. The EU took the international lead in mediating the August 2008 Russia-Georgia conflict and in deploying observers after the ceasefire (see below). The South Caucasus region has developed some economic and political ties with other Black Sea and Caspian Sea littoral states, besides those discussed above. Azerbaijan shares with Central Asian states common linguistic and

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<sup>16</sup> See CRS Report RL32048, *Iran: U.S. Concerns and Policy Responses*, by Kenneth Katzman.

religious ties and concerns about some common neighbors (Iran and Russia). The South Caucasian and Central Asian states are concerned about ongoing terrorist threats and drug trafficking from Afghanistan. Central Asia's increasing ties with the South Caucasus make it more dependent on stability in the region.

## Obstacles to Peace and Independence

### Regional Tensions and Conflicts

Ethnic conflicts have kept the South Caucasus states from fully partaking in peace, stability, and economic development since the Soviet collapse in 1991, some observers lament. The countries are faced with on-going budgetary burdens of arms races and caring for refugees and displaced persons. Other costs of ethnic conflict include threats to bordering states of widening conflict and the limited ability of the region or outside states to fully exploit energy resources or trade/transportation networks.

U.S. and international efforts to foster peace and the continued independence of the South Caucasus states face daunting challenges. The region has been the most unstable part of the former Soviet Union in terms of the numbers, intensity, and length of its ethnic and civil conflicts. The ruling nationalities in the three states are culturally rather insular and harbor various grievances against each other. This is particularly the case between Armenia and Azerbaijan, where discord has led to the virtually complete displacement of ethnic Armenians from Azerbaijan and vice versa. The main languages in the three states are dissimilar (also, those who generally consider themselves Georgians — Kartvelians, Mingrelians, and Svans — speak dissimilar languages). The borders of the countries do not coincide with eponymous ethnic populations. Attempts by ethnic minorities to secede are primary security concerns for all three states. NK relies on economic support from Armenia, and Abkhazia and South Ossetia from Russia.

**Nagorno Karabakh Conflict.** Since 1988, the separatist conflict in Nagorno Karabakh (NK) has resulted in about 15,000 casualties and hundreds of thousands of refugees and displaced persons in Armenia and Azerbaijan. The U.N. High Commissioner for Refugees has reported that at the end of 2006, there were still about 692,000 people considered refugees or displaced persons in Azerbaijan and 114,000 in Armenia.<sup>17</sup> Armenia has granted citizenship and acted to permanently house most of the ethnic Armenians who fled Azerbaijan. The non-governmental International Crisis Group estimates that about 13-14% of Azerbaijan's territory, including NK, is controlled by NK Armenian forces (*The World Factbook* estimates

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<sup>17</sup> U.N. High Commissioner for Refugees. *2006 Global Trends: Refugees, Asylum-seekers, Returnees, Internally Displaced and Stateless Persons*, July 16, 2007. The NGO Amnesty International has raised concerns that refugees and displaced persons in Azerbaijan face prejudice and segregation. They are more likely to be unemployed and in poverty. *Azerbaijan: Displaced then Discriminated Against — the Plight of the Internally Displaced Population*, June 28, 2007.

about 16%).<sup>18</sup> The OSCE's "Minsk Group" of concerned member-states began talks in 1992. A U.S. presidential envoy was appointed to these talks. A Russian-mediated cease-fire was agreed to in May 1994 and was formalized by an armistice signed by the ministers of defense of Armenia and Azerbaijan and the commander of the NK army on July 27, 1994 (and reaffirmed a month later). The United States, France, and Russia co-chair meetings of the Minsk Group.

The Minsk Group reportedly has presented four proposals as a framework for talks, but a peace settlement has proved elusive. Since 2005, officials in both countries have reported negotiations on a fourth "hybrid" peace plan calling for initial agreement on "core principles." The Minsk Group co-chairs issued a statement and made other remarks in April-July 2006 that revealed some of their proposals for a settlement. These included the phased "redeployment of Armenian troops from Azerbaijani territories around NK, with special modalities for Kelbajar and Lachin districts (including a corridor between Armenia and NK); demilitarization of those territories; and a referendum or population vote (at a date and in a manner to be decided ...) to determine the final legal status of NK." International peacekeepers also would be deployed in the conflict area.<sup>19</sup>

On November 29, 2007, then-Undersecretary of State Nicholas Burns, Russian Foreign Minister Sergey Lavrov, and French Foreign Minister Bernard Kouchner presented the Foreign Ministers of Armenia and Azerbaijan, Vardan Oskanyan and Elmar Mammadyarov with a draft text — *Basic Principles for the Peaceful Settlement of the Nagorno-Karabakh Conflict* — for transmission to their presidents. These officials urged the two sides to accept the *Basic Principles* (also termed the Madrid proposals, after the location where the draft text was presented) that had resulted from three years of talks and to begin "a new phase of talks" on a comprehensive peace settlement.<sup>20</sup>

Although the text was not released, Azerbaijani Foreign Minister Elmar Mammadyarov reportedly claimed that the principles uphold Azerbaijan's territorial integrity and NK's autonomous status as part of Azerbaijan. Armenia's then-Foreign Minister Oskanyan asserted, on the other hand, that the principles supported Armenia's insistence on respecting self-determination for NK. Many observers suggest that progress in the talks may occur only after the current electoral cycle concludes in Armenia and Azerbaijan.<sup>21</sup>

In March 2008, the peace process faced challenges from a ceasefire breakdown along the NK front that reportedly led to some troop casualties and from the passage

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<sup>18</sup> International Crisis Group. *Nagorno-Karabakh: Viewing the Conflict from the Ground*, September 14, 2005; CIA World Factbook. *Azerbaijan*, online at [<https://www.cia.gov/cia/publications/factbook/geos/aj.html>].

<sup>19</sup> OSCE. *Statement by the Minsk Group Co-Chairs*, July 3, 2006.

<sup>20</sup> U.S. Department of State. Office of the Spokesman. *Media Note: Support for Basic Principles for Peaceful Settlement of the Nagorno-Karabakh Conflict*, November 29, 2007.

<sup>21</sup> CEDR, December 10, 2007, Doc. No. CEP-950390; December 13, 2007, Doc. No. CEP-950360; December 19, 2007, Doc. No. CEP-950339.



of a resolution by the U.N. General Assembly that called for Armenia to “immediately and unconditionally” withdraw from “occupied” Azerbaijani territory. In the former case, each side blamed the other for breaking the ceasefire. In the latter case, the resolution introduced by Azerbaijan in the U.N. General Assembly was approved with a vote of 39 for and 7 against, with 100 abstentions. The United States voted against the resolution in part because according to Deputy Assistant Secretary of State Matthew Bryza it violated the provisions of the *Basic Principles* (see above) and thus harmed the peace process.

On May 6, 2008, France hosted a meeting between the Armenian and Azerbaijani foreign ministers. The foreign ministers also met with the Minsk Group co-chairs. No details were made available to the public. Armenian President Serzh Sarkisyan and Azerbaijani President Ilham Aliyev met briefly on June 6, 2008, while attending a meeting of the Commonwealth of Independent States in St. Petersburg, Russia. The presidents stated that a certain degree of trust had been reached during their first meeting, and they agreed that talks should continue on settling the NK conflict. Perhaps troubling, Azerbaijan staged a major military parade in late June 2008, at which Aliyev stated that “the Azerbaijani people are tired of these [peace] talks.... We should be ready to liberate our territories by military force at any moment.” Answering a congressional inquiry about similar statements by Aliyev, Assistant Secretary of State Fried stated that U.S. diplomats had advised Aliyev that such statements harm the peace process, that renewed conflict would jeopardize Azerbaijan’s energy exports, that “in the judgment of the United States,” Azerbaijan does not have military superiority, and that neither side could win in a renewed conflict.<sup>22</sup>

In the wake of the conflict in early August 2008, which involved fighting between Russia and Georgia, including in Georgia’s breakaway Abkhazia and South Ossetia regions (see below), Armenian President Sarkisyan asserted that “the tragic events in South Ossetia confirm that every attempt in the South Caucasus to look for a military answer in the struggle for the right to self-determination has far-reaching military and geopolitical consequences.”<sup>23</sup> Deputy Assistant Secretary Bryza reportedly stated on September 18 that the Minsk Group peace process faced an uncertain period, since Russia had acted aggressively in the South Caucasus and its reputation had been harmed, but that he hoped that the Minsk Group talks could continue. In any event, he stated, the United States would continue to encourage the

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<sup>22</sup> U.S. House of Representatives. Committee on Foreign Affairs. Hearing: The Caucasus, Frozen Conflicts and Closed Borders. *Testimony of Daniel Fried*, June 18, 2008.

<sup>23</sup> Open Source Center. *Europe: Daily Report*, August 27, 2008, Doc. No. EUP-085016. However, Armenia’s former Foreign Minister Oskanyan maintained in late 2006 that Article 4 of the CIS Collective Security Treaty (“in case an act of aggression is committed against any of the member-states, all other member-states will render it necessary assistance, including military, as well as provide support with the means at their disposal through an exercise of the right to collective defense”) pertains to aggression from outside the CIS, so does not pertain to the Armenia-Azerbaijan conflict (since Azerbaijan is a member of the CIS). Interview, October 26, 2006.

peaceful settlement of the conflict.<sup>24</sup> In an unprecedented move, Bryza visited NK on September 12 and met with NK leader Bako Sahakyan.

Turkish Prime Minister Recep Tayyip Erdogan visited Russia, Georgia, and Azerbaijan in mid- to late August 2008 to propose the formation of a “Caucasus Stability and Cooperation” group to discuss regional peace, economic cooperation, and energy security, and which would include Turkey, Russia, Georgia, Azerbaijan, and Armenia, but would exclude the United States and the EU. Turkish President Abdullah Gul visited Armenia and Azerbaijan in early September to further discuss forming the group and to mediate the NK conflict. Armenian President Sargsyan welcomed Turkey’s efforts as an attempt to create a favorable atmosphere in the region, but on September 11 called for continuing the Minsk Group talks. Reportedly, Turkey will assist the co-chairmen of the Minsk Group to mediate a meeting between the Armenian and Azerbaijani foreign ministers at the U.N. on September 25-26, 2008.

**Civil and Ethnic Conflict in Georgia.** Several of Georgia’s ethnic minorities stepped up their dissidence, including separatism, in the late 1980s and early 1990s, resulting in the loss of central government control over the regions of South Ossetia and Abkhazia. Some observers argued that Russia’s increasing controls over South Ossetia and Abkhazia over the years transformed the separatist conflicts into essentially Russia-Georgia disputes. Most residents of Abkhazia and South Ossetia were granted Russian citizenship and most appeared to want their regions to be part of Russia.<sup>25</sup>

U.S. diplomacy long appeared to urge Georgia to work within existing peace settlement frameworks for Abkhazia and South Ossetia — which allowed for Russian “peacekeeping” — while criticizing some Russian actions in the regions. This stance appeared to change during 2008, when the United States and other governments increasingly came to support Georgia’s calls for the creation of alternative peace settlement mechanisms, particularly since talks under existing formats had broken down.

This U.S. policy shift was spurred by increasing Russian actions that appeared to threaten Georgia’s territorial integrity. Among these, the Russian government in March 2008 formally withdrew from CIS economic sanctions on Abkhazia, permitting open Russian trade and investment. Of greater concern, President Putin issued a directive in April 2008 to step up government-to-government ties with Abkhazia and South Ossetia. He also ordered stepped up consular services for the many Russian citizens in the two regions. He proclaimed that many documents issued by the separatist governments and businesses which had been established in the regions would be recognized as legitimate by the Russian government. Georgian

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<sup>24</sup> CEDR, September 18, 2008, Doc. No. CEP-950389.

<sup>25</sup> Vladimir Socor, *Eurasia Insight*, November 20, 2006. According to *Rossiyskoye Voyennoye Obozreniye (Russian Military Review)*, published by the Defense Ministry, 80% of residents of Abkhazia are citizens of Russia, and most voted in the December 2007 Russian legislative election. CEDR, April 21, 2008, Doc. No. CEP-358004.

officials and other observers raised concerns that this directive tightened and flaunted Russia's jurisdiction over the regions.

A meeting of the U.N. Security Council (UNSC) on April 23 discussed these Russian moves. Although the Security Council issued no public decision, the United States, Great Britain, France, and Germany stated that same day that they "are highly concerned about the latest Russian initiative to establish official ties with ... Abkhazia and South Ossetia without the consent of the Government of Georgia. We call on the Russian Federation to revoke or not to implement its decision."<sup>26</sup> On April 29, 2008, the Russian foreign ministry claimed that Russia's actions had been taken to boost the basic human rights of residents in the regions. (For other Russian actions during 2008 specific to a breakaway region, see below.)

**Abkhazia.** In July 1992, Abkhazia's legislature declared the region's effective independence, prompting an attack by Georgian national guardsmen. In October 1992, the U.N. Security Council (UNSC) approved the first U.N. observer mission to a Eurasian state, termed UNOMIG, to help the parties reach a settlement. Russian and North Caucasian "volunteers" (who reportedly made up the bulk of Abkhaz separatist forces) routed Georgian forces in 1993. Georgia and Abkhazia agreed in April-May 1994 on a framework for a political settlement and the return of refugees. A Quadripartite Commission (QC) was set up to discuss repatriation and Russian troops (acting as CIS "peacekeepers") were deployed in a zone between Abkhazia and the rest of Georgia. The conflict resulted in about 10,000 deaths and over 200,000 displaced persons, mostly ethnic Georgians. In late 1997, the sides agreed to set up a Coordinating Council (CC) to discuss cease-fire maintenance and refugee, economic, and humanitarian issues. The QC met periodically and addressed grievances not considered by the CC. Abkhazia had resisted holding CC meetings since 2001. The two sides finally held some CC meetings in mid-2006 but rising tensions led to the suspension of the meetings in August 2006.

The Deputy Assistant Secretary of State worked with the Special Representative of the U.N. Secretary General and other "Friends of the Secretary General" (France, Germany, Russia, the United Kingdom, and Ukraine) to facilitate a settlement. A "New Friends" group was formed in 2005 (members included Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Moldova, Poland, Romania, and Sweden) to advocate increased EU and NATO attention to a settlement. Sticking points in talks included Georgia's demand that displaced persons be allowed to return to Abkhazia, after which an agreement on autonomy for Abkhazia would be negotiated. The Abkhazians insisted on recognition of their independence as a precondition to large-scale repatriation.

**The Kodori Gorge.** In July 2006, a warlord in the Kodori Gorge area of northern Abkhazia, where many ethnic Svans reside, foreswore his nominal allegiance to the Georgian government. The Georgian government quickly sent forces to the area and defeated the warlord's militia. President Saakashvili asserted that the action marked progress in Georgia's efforts to re-establish its authority

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<sup>26</sup> "Germany, Great Britain, France, U.S.A. and Germany Passed Communique," *Black Sea Press*, April 24, 2008.

throughout Abkhazia, and he directed that the Abkhaz “government-in-exile” make the Gorge its home. Georgia claimed that only police were deployed in the Gorge, but Abkhazia asserted that military troops were present, in violation of the cease-fire agreement.

Regular Georgia-Abkhazia peace talks were suspended in October 2006. Abkhazia called for Georgia to remove the government representatives and alleged military forces. In October 2006, the UNSC criticized Georgia for introducing military forces into the Kodori Gorge in violation of cease-fire accords and for other “militant rhetoric and provocative actions” and called on it to abide by the accords. Some violations by Abkhaz forces were also criticized. The UNSC stressed the “important” and “stabilizing” role played by Russian peacekeepers and UNOMIG.<sup>27</sup> The U.N. Secretary General subsequently stated that Georgia appeared not to have heavy military weaponry in the Gorge. The Friends of the U.N. Secretary General hosted meetings in Germany in June 2007 and Switzerland in February 2008 that urged the sides to abide by the existing cease-fire agreement and to renew talks under existing formats.<sup>28</sup>

In March and April 2008, President Saakashvili proposed new peace initiatives that included international guarantees of autonomy for Abkhazia, quotas for Abkhaz representation in Georgian executive and legislative bodies, the establishment of a special economic zone in the Gali region, and more active involvement by the international community and Russia in a peace settlement. The initiatives were rejected by the de facto Abkhaz authorities.

In March and April 2008, unmanned aerial vehicles (UAVs) from Georgia were shot down over Abkhazia. Georgia claimed that Russians shot down the UAVs, but the Abkhaz claimed that they shot them down. The Russian foreign ministry asserted that the UAVs had a military surveillance mission and were banned under the 1994 ceasefire agreement, but the Georgians asserted that they were non-threatening and permitted. After an investigation, UNOMIG concluded in late May 2008 that at least one of the UAVs had been shot down by a fighter jet flying into Abkhazia from Russian airspace. UNOMIG stated that Georgia should not fly the UAVs over Abkhazia, but also termed the shootdown by the Russian air force “fundamentally inconsistent” with the Abkhaz-Georgia ceasefire agreement. At a closed meeting of the UNSC on May 30, 2008, Georgia stated that it would end the flights of the UAVs.

The United States and others in the international community also raised concerns when the Russian foreign and defense ministries announced on April 29, 2008, that the number of “peacekeepers” in Abkhazia would be boosted up to the

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<sup>27</sup> U.N. Security Council. *Resolution 1716 (2006), Adopted by the Security Council at Its 5549<sup>th</sup> Meeting*, October 13, 2006.

<sup>28</sup> U.N. Secretary General. *Report of the Secretary-General on the Situation in Abkhazia*, S/2007/15, January 11, 2007; S/2007/182, April 3, 2007; S/2007/439, July 18, 2007; S/2007/588, October 3, 2007; S/2008/38, January 23, 2008; S/2008/219, April 2, 2008. He stated in his July 2007 report that UNOMIG had seen what appeared to be a Georgian military truck in the upper Kodori Gorge.

maximum permitted under ceasefire accords. There also would be added military equipment and checkpoints. The ministries claimed that the increases were necessary to counter the presence of a Georgian youth camp in a restricted zone near the Abkhaz border, the flight of Georgian UAVs over Abkhazia, and a buildup of Georgian “military forces” and police in the Kodori Gorge, which they alleged were preparing to attack the de facto Abkhaz government. The defense ministry asserted that any Georgian “violence against Russian peacekeepers and Russian citizens ... will be met with an appropriate and robust response.”<sup>29</sup> Georgia’s speaker objected that an increase in the number of “peacekeepers” should be a subject of negotiation, and termed it another move toward Russia’s “annexation” of Abkhazia.<sup>30</sup> It was also troubling that 400 Russian paratroopers were deployed to Abkhazia that Russian officials reportedly stated would be fully armed in order to repulse possible Georgian attacks on Abkhazia.<sup>31</sup> NATO reported on April 28, 2008, that its members “support Georgia’s territorial integrity and regard Abkhazia as Georgia’s inseparable part. NATO members believe that the unilaterally biased Russian peacekeeping contingent should be withdrawn.”<sup>32</sup>

Russia-Georgia tensions appeared to deepen in mid-May 2008 when the U.N. General Assembly approved a resolution introduced by Georgia that called for displaced persons to be permitted to return to Abkhazia and to reclaim their property. Tensions heightened in late May 2008 after Russia announced that about 400 railway construction troops were being sent to Abkhazia for “humanitarian” work. The U.S. State Department responded that the “announcement is particularly difficult to understand,” in light of Georgia’s peace proposals, and objected that such troops were not part of Russia’s “peacekeeping” force. These troops — whose role is to facilitate military positioning — reportedly left Abkhazia at the end of July 2008 after repairing tracks and bridges. According to Deputy Assistant Secretary Bryza, the railway was used in August by Russia when its troops moved into Georgia.<sup>33</sup>

*The Friends’ Abortive Peace Initiative.* In late June 2008, growing concerns about Georgian-Russian tensions led the “Friends of the U.N. Secretary General” to work out a new draft peace plan for Abkhazia. The plan was formally presented by German Foreign Minister Frank-Walter Steinmeier in July to EU, Georgian, Abkhaz, and Russian leaders. Indicating the shift in the policy of the United States and other Friends, Deputy Assistant Secretary Bryza stated on July 21 that the Friends considered that Russian “peacekeepers” might continue to work with UNOMIG in Abkhazia (if Russia and Georgia agree), but that these forces would be “complemented” by a joint Abkhaz-Georgian police force, “with international

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<sup>29</sup> CEDR, April 29, 2008, Doc. No. CEP-950318. By late 2007, Russia had bolstered its “peacekeeping” forces by deploying some pro-Russia Chechen troops from the Zapad battalion.

<sup>30</sup> CEDR, April 29, 2008, Doc. No. CEP-950329.

<sup>31</sup> ITAR-TASS, May 6, 2008.

<sup>32</sup> CEDR, April 28, 2008, Doc. No. CEP-950444.

<sup>33</sup> Pavel Felgenhauer, *Eurasia Daily Monitor*, June 12, 2008; U.S. Department of State. Foreign Press Center. *Briefing: The Situation in the Republic of Georgia and its Implications for the Caucasus*, August 19, 2008.

oversight, be it U.N. or EU oversight.”<sup>34</sup> Russia appeared at first to support the peace plan, but during Steinmeier’s visit to Moscow on July 18-19, Russian President Dmitry Medvedev reportedly called for the retention of the existing ceasefire talks and Russia’s “peacekeeping” role.

**South Ossetia.** In 1989, the region lobbied for joining its territory with North Ossetia in Russia or for independence. Repressive efforts by former Georgian President Gamsakhurdia triggered conflict in 1990, reportedly contributing to an estimated 2,000-4,000 deaths and the displacement of tens of thousands of people. In June 1992, Russia brokered a cease-fire, and Russian, Georgian, and Ossetian “peacekeeping” units set up base camps in a security zone around Tskhinvali, South Ossetia. Reportedly, the units totaled around 1,100 troops, including about 530 Russians, a 300-member North Ossetian brigade (which actually was composed of South Ossetians and headed by a North Ossetian), and about 300 Georgians. OSCE monitors did most of the patrolling. A Joint Control Commission (JCC) composed of Russian, Georgian, and North and South Ossetian emissaries promoted a settlement of the conflict, with the OSCE as facilitator. According to one estimate, some 45,000 ethnic Ossetians and 17,500 ethnic Georgians resided in a region that, according to the 1989 Soviet census, at that time contained over 98,000 residents.<sup>35</sup>

In 2004, President Saakashvili increased pressure on South Ossetia by tightening border controls, breaking up a large-scale smuggling operation in the region that allegedly involved Russian organized crime and corrupt Georgian officials. He also reportedly sent several hundred police, military, and intelligence personnel into the region. Georgia maintained that it was only bolstering its peacekeeping contingent up to the limit of 500 troops, as permitted by the cease-fire agreement. Georgian guerrilla forces also reportedly entered the region. Allegedly, Russian officials likewise assisted several hundred paramilitary elements from Abkhazia, Transnistria, and Russia to enter. Following inconclusive clashes, both sides by late 2004 ostensibly had pulled back most undeclared forces.

In July 2005, President Saakashvili announced a new peace plan for South Ossetia that offered substantial autonomy and a three-stage settlement, consisting of demilitarization, economic rehabilitation, and a political settlement. South Ossetian “president” Eduard Kokoiti rejected the plan, asserting in October 2005 that “we [South Ossetians] are citizens of Russia.”<sup>36</sup> The JCC in May 2006 agreed on economic reconstruction projects estimated to cost \$10 million, and the next month, the OSCE sponsored a donor’s conference that raised these funds. A Steering

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<sup>34</sup> Brian Whitmore, Interview with U.S. Deputy Assistant Secretary of State for European and Eurasian Affairs Matthew Bryza, *RFE/RL*, July 21, 2008.

<sup>35</sup> *Georgia: a Toponymic Note Concerning South Ossetia*, The Permanent Committee on Geographic Names, January 2007.

<sup>36</sup> *CEDR*, October 7, 2005, Doc. No. CEP-15001. *CEDR*, December 12, 2005, Doc. No. CEP-27204. South Ossetians who were citizens of Russia voted in the 2004 Russian presidential election, and a poster in South Ossetia afterward proclaimed that “Putin is our president.” Many South Ossetians voted in the 2007 Russian Duma election and the 2008 Russian presidential election. *CEDR*, December 3, 2007, Doc. No. CEP-950289; February 28, 2008, Doc. No. CEP-4015.

Committee composed by the sides to the conflict and donors met in October 2006 to discuss project implementation. In April 2007, Kokoiti praised Russia's unilateral aid efforts and accused the Steering Committee of dallying (see also below).

In November 2006, a popular referendum was held in South Ossetia to reaffirm its "independence" from Georgia. The separatists reported that 95% of 55,000 registered voters turned out and that 99% approved the referendum. In a separate vote, 96% reelected Kokoiti. The OSCE and U.S. State Department declined to recognize these votes. In "alternative" voting among ethnic Georgians in South Ossetia (and those displaced from South Ossetia) and other South Ossetians, the pro-Georgian Dmitriy Sanakoyev was elected governor, and a referendum was approved supporting Georgia's territorial integrity.

In March 2007, President Saakashvili proposed another peace plan for South Ossetia that involved creating "transitional" administrative districts throughout the region — ostensibly under Sanakoyev's authority — which would be represented by an emissary at JCC or alternative peace talks. Each side accused the other in mid-2007 of blockading water supplies in South Ossetia and other "provocations," including failure to hold JCC meetings. The OSCE Steering Committee financed the building of a water pipeline. In July 2007, President Saakashvili decreed the establishment of a commission to work out South Ossetia's "status" as a part of Georgia. The JCC finally held a meeting (with Georgia's emissaries in attendance) in Tbilisi, Georgia, in October 2007, but the Russian Foreign Ministry claimed that the Georgian emissaries made unacceptable demands in order to deliberately sabotage the results of the meeting.<sup>37</sup> No further meetings had been held before the outbreak of conflict between Russia and Georgia in August 2008.

***The August 2008 Russia-Georgia Conflict.*** Simmering long-time tensions erupted on the evening of August 7, 2008, when South Ossetia accused Georgia of launching a "massive" artillery barrage against its capital, Tskhinvali, while Georgia reported intense bombing of some Georgian villages in the conflict zone by South Ossetian forces. Georgia claims that South Ossetian forces did not respond to a ceasefire appeal but intensified their shelling, "forcing" Georgia to send in troops that reportedly soon controlled Tskhinvali and other areas.

On August 8, Russian President Dmitriy Medvedev denounced Georgia's incursion into South Ossetia, asserting that "women, children and the elderly are now dying in South Ossetia, and most of them are citizens of the Russian Federation" (Russia had granted citizenship to much of the population). He stated that "those who are responsible ... will be duly punished." Russia launched large-scale air attacks across Georgia and dispatched seasoned troops to South Ossetia that engaged Georgian forces in Tskhinvali later in the day. President Bush stated on August 9 that "Georgia is a sovereign nation, and its territorial integrity must be respected. We have urged an immediate halt to the violence [and] the end of the Russian bombings." Reportedly, Russian troops had retaken Tskhinvali, occupied the bulk of South Ossetia, reached its border with the rest of Georgia, and were shelling areas across the border by the morning of August 10. Russian warplanes bombed the

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<sup>37</sup> CEDR, November 1, 2007, Doc. No. CEP-950449.

Georgian town of Gori and the outskirts of the capital, Tbilisi, as well as other sites. Russian ships landed troops in Georgia's breakaway Abkhazia region and took up positions off Georgia's Black Sea coast.

On August 12, Medvedev declared that "the aim of Russia's operation for coercing the Georgian side to peace had been achieved and it had been decided to conclude the operation.... The aggressor has been punished and suffered very heavy losses."<sup>38</sup> Medvedev endorsed some elements of a European Union (EU) peace plan presented by visiting French President Nicolas Sarkozy. On August 15, the Georgian government accepted the French-brokered 6-point cease-fire that left Russian forces in control of South Ossetia, Abkhazia, and "security zones" in undisputed Georgian territory.<sup>39</sup> The six points include commitments not to use force, to halt hostilities, to provide full access for humanitarian aid, to withdraw Georgian forces to the places they were usually stationed prior to the conflict, to withdraw Russian forces to positions prior to the outbreak of hostilities (although they are permitted to implement security measures in the zone of the conflict until international monitors are in place), and to open international discussions on ensuring security and stability in Abkhazia and South Ossetia.

Russia undertook a pullback of military forces on August 22. However, substantial forces remained in areas around South Ossetia's and Abkhazia's borders with the rest of Georgia and near the port of Poti, resulting in condemnation by the United States, NATO, and the EU that Russia was violating the ceasefire accord. Further condemnation by the international community occurred in the wake of President Medvedev's August 26 decree officially recognizing the independence of South Ossetia and Abkhazia. Nicaragua is the only country that has followed suit in extending diplomatic relations to Abkhazia and South Ossetia.

On September 8, 2008, visiting French President Nicolas Sarkozy and Russian President Dmitriy Medvedev signed a follow-on ceasefire accord that fleshed out the provisions of the 6-point peace plan. It stipulates that Russian forces will withdraw from Georgia's port of Poti and adjacent areas by September 15; that Russian forces will withdraw from areas adjacent to the borders of Abkhazia and South Ossetia by October 11; that Georgian forces will return to their barracks by October 1; that international observers already in place from the U.N. and Organization for Security and Cooperation in Europe will remain; and that the number of international observers will be increased by October 1, to include at least 200 observers from the European Union (EU), and perhaps more later. The EU has called for Russia to permit these observers to patrol in Abkhazia and South Ossetia. Russia's position is that these observers cannot patrol in the regions without the approval of the regions, and the regional leaders have refused to permit such patrols. Two international conferences are planned for October, one on ensuring security and

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<sup>38</sup> *ITAR-TASS*, August 12, 2008. On September 11, Prime Minister Putin stated that Georgia's aggression was answered by "a well-deserved mighty punch" by Russia. *ITAR-TASS*, September 11, 2008.

<sup>39</sup> See CRS Report RL34618, *Russia-Georgia Conflict in South Ossetia: Context and Implications for U.S. Interests*, by Jim Nichol, August 29, 2008.



stability in the South Caucasus region and one to garner international assistance for rebuilding Georgia.

In a press conference after signing the accord, President Medvedev asserted that Russia's recognition was "irrevocable," and that Russian "peacekeepers" would remain deployed in Abkhazia and South Ossetia. Although Sarkozy strongly implied that the international conference would examine the legal status of Georgia's breakaway Abkhazia and South Ossetia, Medvedev pointed out that the regions had been recognized as independent by Russia on August 26, 2008, and stated that disputing this recognition was a "fantasy."<sup>40</sup> The Russian defense minister called for retaining "around 3,800" Russian "peacekeepers" in Abkhazia and the same number in South Ossetia. These numbers differ from troop ceilings permitted under the early 1990s ceasefire agreements of up to 3,000 Russian "peacekeepers" in Abkhazia and about 1,000 in South Ossetia (including Russian troops and those ostensibly from Russia's North Ossetia region).<sup>41</sup>

On August 13, President Bush announced that Secretary Rice would travel to France and Georgia to facilitate adoption of the peace plan and that Defense Secretary Robert Gates would direct humanitarian aid deliveries to Georgia. On September 3, Secretary Rice announced a \$1 billion multi-year aid package to help Georgia rebuild (see below). Vice President Cheney visited Georgia on September 4 to ensure that "America will help Georgia rebuild.... [Saakashvili] and his democratically elected government can count on the continued support and assistance of the United States."<sup>42</sup>

## **Economic Conditions, Blockades, and Stoppages**

The economies of all three South Caucasus states greatly declined in the early 1990s, affected by the dislocations caused by the breakup of the Soviet Union, conflicts, trade disruptions, and the lingering effects of the 1988 earthquake in Armenia. Although gross domestic product (GDP) began to rebound in the states in the mid-1990s, the economies remain fragile. Investment in oil and gas resources has fueled economic growth in Azerbaijan in recent years at the expense of other sectors of the economy. Widespread poverty and regional conflict have contributed to high emigration from all three states, and remittances from these emigres have provided major support for the remaining populations.<sup>43</sup>

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<sup>40</sup> Open Source Center. *Central Eurasia: Daily Report*(hereafter *CEDR*), September 28, 2008, Doc. No. CEP-950425; CEP-950440.

<sup>41</sup> Conor Humphries, "Russia Establishes Ties with Georgia Regions," *Agence France Presse*, September 9, 2008; "Russia to Base 7,600 Troops in Georgian Regions," *Deutsche Presse-Agentur*, September 9, 2008.

<sup>42</sup> The White House. Office of the Vice President. *Remarks by Vice President Cheney and President Saakashvili of Georgia After Meeting*, September 4, 2008.

<sup>43</sup> A. V. Korobkov, "Migration Trends in Central Eurasia," *Communist and Post-Communist Studies*, No. 2, 2007, pp. 169-89.

Transport and communications obstructions and stoppages have severely affected economic development in the South Caucasus and stymied the region's emergence as an East-West and North-South corridor. Since 1989, Azerbaijan has obstructed railways and pipelines traversing its territory to Armenia.<sup>44</sup> Turkey closed its land borders with Armenia in 1993. These obstructions have had a negative impact on the Armenian economy, since it is heavily dependent on energy and raw materials imports. Turkey's closure of land borders in effect barred direct U.S. shipments of aid through its territory to Armenia. Foreign Operations Appropriations for FY1996 (P.L. 104-107) and Omnibus Consolidated Appropriations for FY1997 (P.L. 104-208)<sup>45</sup> have mandated U.S. aid cutoffs (with a presidential waiver) to any country which restricts the transport or delivery of U.S. humanitarian aid to a third country. These provisions are designed to convince a nation such as Turkey to allow the transit of U.S. aid to Armenia. According to the U.S. Embassy in Baku, Azerbaijan's Nakhichevan exclave "is blockaded by neighboring Armenia." Iran has at times obstructed bypass routes to Nakhichevan. The CIS has imposed an economic embargo on Abkhazia since 1996 (Russia announced in March 2008 that it was lifting its part of the embargo).<sup>46</sup> Since 2006, Russia has severely restricted agricultural trade and land, air, and sea links with Georgia. Russia has at times cut off gas supplies to Georgia. Georgia severely restricts traffic from South Ossetia. Russia is building a 110-mile gas pipeline to South Ossetia to end the region's dependence on gas transiting from other Georgian territory. Russia hinders Azerbaijan's use of the Volga-Don Canal to reach world shipping channels.

## Democratization Problems and Progress

The World Bank, in a report assessing the quality of democratic governance in 212 countries during 2006, ranked Armenia as perhaps among the better-performing one-half of the countries in terms of government effectiveness and regulatory

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<sup>44</sup> Armenia long opposed the construction or revamping of a section of railway from Kars, Turkey, to Tbilisi (and thence to Azerbaijan) that would bypass Armenia, arguing that an existing section of railway from Kars that transits Armenia into Georgia could be returned to service "in a week." Azerbaijan and Turkey oppose a transit route through Armenia, despite Armenia's offers not to use the railway for its own goods or to impose transit tariffs. The Export-Import Bank Re-authorization Act of 2006 (P.L. 109-438) prohibits the Bank from guaranteeing, insuring, or extending credit in support of any railway construction that does not traverse or connect with Armenia and does traverse or connect Baku, Tbilisi, and Kars. Work on the railway began in late 2007. In March 2008, Armenian President-elect Serzh Sargsyan reportedly stated that Armenia might be able to use the railway, and argued that the railway is designed more as a means of bypassing "much larger countries" (presumably Russia) than Armenia. *CEDR*, March 12, 2008, Doc. No. CEP-950482.

<sup>45</sup> P.L. 104-208, Sec. 559, amends the Foreign Assistance Authorization Act of 1961.

<sup>46</sup> Georgia objected to Russia's decision to lift its embargo on trade with Abkhazia, arguing that the ability by Russia to openly establish economic ties with the region constitutes the further consolidation of *de facto* control over the region. Other observers suggest that economic development in the region may ameliorate Georgia's ties to Abkhazia. *CEDR*, March 11, 2008, Doc. No. CEP-950056; March 12, 2008, Doc. No. CEP-950183.

quality.<sup>47</sup> On four other indicators — accountability,<sup>48</sup> stability, rule of law, and anti-corruption — Armenia ranked slightly below world norms but had not regressed in recent years, except perhaps on accountability. Georgia ranked slightly below Armenia on all indicators except accountability and anti-corruption, and seems to have made recent progress on all indicators but stability, according to the World Bank. Azerbaijan was deemed to rank below the other two regional states on all indicators, but seems to have made some progress in regulatory quality. Trends since the World Bank's assessments are discussed below.

**Armenia.** In November 2005, constitutional changes were approved by 93.2% of 1.5 million voters, with a 65.4% turnout. A small delegation of monitors from the Parliamentary Assembly of the Council of Europe (PACE) reported observing ballot-box stuffing and few voters. Opposition parties boycotted the vote.<sup>49</sup> Before the vote, the Venice Commission of the Council of Europe (COE) had suggested that the changes would provide a “good basis for ensuring ... respect for human rights, democracy and the rule of law, and would pave the way to further European integration,” if implemented. In January 2007, PACE praised progress in passing legislation implementing the constitutional reforms and urged Armenia to hold free elections.

A legislative election was held on May 12, 2007, and five parties cleared a 5% vote hurdle to win 90 seats that were allocated through party list voting. One other party won 1 of the 41 seats subject to constituency voting. The party that had won the largest number of seats in the 2003 election — the Republican Party of Armenia — won a near majority (64 of 131 seats) in 2007. Two opposition parties won 16 seats. According to the final report of observers from the OSCE, COE, and the EU, the legislative elections “demonstrated improvement and were conducted largely in accordance with OSCE commitments....” However, the observers raised some concerns over pro-government party domination of electoral commissions, the low number of candidates in constituency races, and inaccurate campaign finance disclosures. They reported some counting irregularities at the precinct level, and assessed counting “as bad or very bad” at one-third of territorial electoral commissions. The report raised concerns that these vote-counting problems harmed public confidence in the results.<sup>50</sup>

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<sup>47</sup> Government effectiveness refers to “the quality of public services, [and] the quality of the civil service.” Regulatory quality refers to policies that promote a market economy. The World Bank. *Governance Matters 2007: Worldwide Governance Indicators, 1996-2006*, July 10, 2007.

<sup>48</sup> Accountability refers to “the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.” *Governance Matters 2007*, July 10, 2007.

<sup>49</sup> PACE. *Constitutional Referendum in Armenia: General Compliance Marred by Incidents of Serious Abuse*, November 28, 2005.

<sup>50</sup> OSCE. Office of Democratic Institutions and Human Rights (ODIHR). *Parliamentary Elections, Republic of Armenia, 12 May 2007: Final Report*, September 10, 2007. PACE. Ad Hoc Committee of the Bureau of the Assembly. *Report: Observation of the Parliamentary Elections in Armenia*, Doc. 11312, June 20, 2007. See also CRS Report (continued...)

The two parties that won the most votes in the May 2007 election — the Republican Party of Armenia and the Prosperous Armenia Party — announced that they would form a coalition to cooperate on legislative tasks and the formation of the government. They also agreed to jointly back one candidate for the upcoming 2008 presidential election. Incumbent President Kocharyan was at the end of his constitutionally limited second term in office. The two parties signed a side agreement with another party that won many votes — the Armenian Revolutionary Federation — on its participation in the coalition, although it reserved the right to run its own candidate in the presidential race. President Robert Kocharyan appointed defense minister Serzh Sargsyan as prime minister on June 7, 2007.

Armenia's presidential election was held on February 19, 2008. Prime Minister Sargsyan was nominated by the Republican Party and endorsed by outgoing President Robert Kocharyan. Other candidates included Levon Ter-Petrosyan (self-nominated); Vahan Hovhannisyan (nominated by the Armenian Revolutionary Federation); Arthur Baghdasaryan (Rule of Law Party); Artashes Geghamyan (National Unity Party); Tigran Karapetyan (People's Party); Aram Harutiunyan (National Accord Party); Vazgen Manukyan (National Democratic Union); and Arman Melikyan (self-nominated). According to final results issued by the Central Electoral Commission on February 24, Sargsyan was the winner with 52.82% of 1.67 million votes cast, followed by Ter-Petrosyan with 21.5% and Baghdasaryan with 16.7%.

Election observers from the Organization for Security and Cooperation in Europe (OSCE), the Council of Europe (COE), and the European Parliament (EP), issued a final report (with a more negative assessment than given in a preliminary report) that the election “mostly met OSCE commitments ... in the pre-election period and during voting hours,” but that “serious challenges to some commitments did emerge, especially after election day. This displayed an insufficient regard for standards essential to democratic elections and devalued the overall election process. In particular, the vote count demonstrated deficiencies of accountability and transparency....”<sup>51</sup>

According to the report, the election offered voters a genuine choice among the nine candidates. However, problems included the absence of a clear separation between government and party functions. A large majority of territorial and precinct electoral commission members were linked to the Republican and Prosperous Armenia parties or the presidential administration. Media gave Sargsyan a great deal of positive coverage and Ter-Petrosyan a large volume of negative coverage. The Central Electoral Commission “routinely dismissed” most campaign complaints in closed sessions, raising concerns about the effectiveness of the complaint process. The lack of public confidence in the electoral process was compounded by appearances of irregularities in vote counting, which was assessed by the observers

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<sup>50</sup> (...continued)

RS22675, *Armenia's Legislative Election*, by Jim Nichol.

<sup>51</sup> OSCE. International Election Observation Mission. *Presidential Election, Republic of Armenia, 19 February 2008: Final Report of the OSCE/ODIHR Election Observation Mission*, May 30, 2008.

as bad or very bad in some 16% of polling stations visited. Other discrepancies in vote counting were revealed during recounts in some precincts. The final report also raised concerns about “implausibly high” voter turnout claims at several precincts.

Demonstrations by oppositionists claiming that the election was not free and fair were forcibly suppressed by military and police forces in the capital of Yerevan on March 1. Street battles and looting were reported later in the day. The government reported that ten people were killed, that dozens were injured, that many of the demonstrators were armed, and that they had received orders to overthrow the government. President Robert Kocharyan declared emergency rule in Yerevan late on March 1, which provided for government control over media and a ban on public meetings and party activities. Authorities arrested or detained dozens of opposition politicians and others. On March 12, Deputy Assistant Secretary of State Matthew Bryza called for the government to “to cease arrests of political leaders” and to “restore media freedom and then to lift the state of emergency as soon as possible, and then finally launch a nationwide roundtable ... including all major political parties to chart the course forward to strengthen Armenia’s democracy.”<sup>52</sup>

The state of emergency was lifted on March 21, but a new law limits political rallies. Also on March 21, the Republican Party, Rule of Law Party, Prosperous Armenia Party, and the Armenian Revolutionary Federation signed an agreement to form a political coalition. In his April 9, 2008, inaugural address, Sargsisyan stated that “we will build a strong, proud, and democratic state of Armenia where all are equal under the law.” He named Central Bank chairman Tigran Sargsisyan as the prime minister, and announced that a new coalition government would be composed of the four parties.<sup>53</sup>

The Parliamentary Assembly of the Council of Europe (PACE) passed a resolution on April 17, 2008, that called for a “credible international investigation” of events surrounding the Armenian government crackdown on demonstrators on March 1, 2008. The resolution called for the release of demonstrators and others who it claimed were arrested “on seemingly artificial and politically motivated charges,” and urged wide political dialogue between pro-government and opposition parties. The resolution also called for the repeal of the new law restricting freedom of assembly and suggested that PACE consider at its next session in late June 2008 suspending the voting rights of the Armenian delegation, “if no considerable progress has been made on these requirements by then.”

In June 2008, the Armenian legislature created a commission to investigate the events of March 1 and amended the law on assemblies. Reportedly, of nearly one hundred people detained in connection with the events of March 1, most have been tried and have received prison sentences, probation, fines, or acquittals. In late June 2008, PACE postponed a decision on Armenia to give the country more time to implement its reform suggestions.

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<sup>52</sup> “Armenia: Key U.S. Diplomat Calls For Roundtable In Wake Of Clashes,” *Radio Free Europe*, March 12, 2008.

<sup>53</sup> *ITAR-TASS*, April 9, 2008.

**Azerbaijan.** Changes to the election law, some in line with proposals from the Venice Commission, were approved by the legislature in June 2005, including those making it easier for people to become candidates for a November 6, 2005, legislative election. However, the deputies rejected some of the most significant proposals, including a more equitable representation of political interests on electoral commissions. In May and October 2005, Aliyev ordered officials to abide by election law, and authorities permitted some opposition rallies. The October decree also led legislators to approve marking hands and permit outside-funded NGOs to monitor the election, as advocated by PACE. After the election, the U.S. State Department issued a statement praising democratization progress, but urging the government to address some electoral irregularities.<sup>54</sup> Repeat elections were scheduled for May 2006 in ten constituencies where alleged irregularities took place. According to OSCE election monitors, the repeat race appeared to be an improvement over the November election, but irregularities needed to be addressed, including interference by local officials in campaigns. The ruling Yeni Azerbaijan Party won 62 seats, the independents 44, and Musavat 5. The remaining 14 seats were held by several small parties.<sup>55</sup>

During the run-up to the 2005 legislative election, authorities arrested several prominent officials on charges of coup-plotting. Some critics of the arrests claimed that the defendants included former cohorts of Heydar Aliyev or others who simply opposed President Ilkham Aliyev's policies. Although arrested on suspicion of coup-plotting, several officials instead were convicted on lesser charges. One sensational trial involved Farhad Aliyev, former minister of economic development (no relation to Ilkham Aliyev), who was among those arrested in 2005. He was tried along with his brother, Rafiq (a businessman), and 17 others and was convicted on charges of embezzlement in October 2007 to ten years in prison. He claimed that he was prosecuted because of his advocacy of closer Azerbaijani ties with the United States and the EU, economic reforms, and anti-corruption efforts. Senator John McCain and Representatives Gary Ackerman and Alcee Hastings were among those in Congress concerned about due process in the case (see below, *Legislation*).<sup>56</sup>

Meeting with visiting President Ilkham Aliyev in late April 2006, President Bush hailed the "alliance" between the two countries and Azerbaijan's "understand[ing] that democracy is the wave of the future." After the U.S. visit, the Azerbaijani foreign minister stated that it marked Azerbaijan's emerging role as the major power in the South Caucasus region. Some human rights and other observers

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<sup>54</sup> U.S. Department of State. *Press Statement: Azerbaijan Parliamentary Elections*, November 7, 2005. See also CRS Report RS22340, *Azerbaijan's 2005 Legislative Election*, by Jim Nichol.

<sup>55</sup> OSCE/ODIHR Mission. *Press Release: Partial Repeat Parliamentary Elections in Azerbaijan Underscore Continuing Need for Electoral Reform*, May 15, 2006.

<sup>56</sup> *Eurasia Insight*, October 30, 2006; *Congressional Record*, March 29, 2007, pp. E708-709. See also PACE. Committee on the Honoring of Obligations and Commitments by Member States of the Council of Europe, *Honoring of Obligations and Commitments by Azerbaijan*, *Explanatory Memorandum*, Doc. 11226, March 30, 2007.

criticized the summit as providing undue U.S. support to a nondemocratic leader.<sup>57</sup> Answering this criticism, Deputy Assistant Secretary Bryza stated in June 2006 that “just because Azerbaijan hasn’t gone as far as we would like on democracy doesn’t mean we’re going to ignore our energy interests or our military interests. That’s not to say that our energy interests or our military interests or our counter-terrorism interests are driving us to ignore democracy.... We have to pursue a balance.”<sup>58</sup>

The NGO Committee to Protect Journalists in December 2007 ranked Azerbaijan among the top five countries in the world in terms of the number of imprisoned journalists.<sup>59</sup> President Aliyev amnestied five journalists in December 2007, but several others remained imprisoned. Among recent cases, Qanimat Zahidov, the editor-in-chief of the opposition newspaper Azadliq, was sentenced to four years in prison on March 7, 2008, of “hooliganism,” for defending himself from an attacker, who received a lesser sentence.

A presidential election is scheduled to be held on October 15, 2008. In early June 2008, the legislature approved changes to the electoral code, including a reduction of the presidential campaign season. Some of the amendments to the electoral code approved by the legislature were recommended by the Venice Commission, an advisory body of the Council of Europe. However, other recommendations of the Venice Commission were not considered, including those on eliminating the dominance of government representatives on election commissions, clarifying reasons for refusing to register candidates, and reducing the number of signatures necessary for candidate registration.<sup>60</sup> In late June, the CEC announced that the campaigning would only be permitted for less than one month before the election, which critics termed too short a time for candidates to present their platforms. The opposition Azadliq (Freedom) party bloc decided on July 20 that it would boycott the election.<sup>61</sup> Other opposition parties have rejected Azadliq’s call for a boycott. Incumbent President Ilkham Aliyev is widely expected to win re-election despite the recent sharp rise in inflation and reported food shortages.

On July 8, 2008, Secretary Rice was asked about democracy prospects in Azerbaijan and in the Central Asian states, and she responded that leaders of these states “should be aware that their countries will never develop their full potential if

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<sup>57</sup> The White House. Office of the Press Secretary. *President Bush Welcomes President Aliyev of Azerbaijan to the White House*, April 28, 2006; CEDR, May 2, 2006, Doc. No. CEP-950092; Council on Foreign Relations. *A Conversation with Ilkham Aliyev*, April 26, 2006.

<sup>58</sup> RFE/RL, June 23, 2006.

<sup>59</sup> Committee to Protect Journalists. *Special Report 2007: One in Six Jailed Journalists [Worldwide] Held Without Charge*, December 5, 2007.

<sup>60</sup> European Commission for Democracy Through Law (Venice Commission). *Joint Interim Opinion on the Draft Amendments to the Electoral Code of the Republic of Azerbaijan*. 74<sup>th</sup> Plenary Session, March 14-15, 2008, Opinion no. 390/2006, CDL-AD(2008)003, March 18, 2008.

<sup>61</sup> Open Source Center. *Central Eurasia: Daily Report* (hereafter CEDR), April 24, 2008, Doc. No. CEP-950216.

they will not allow their people the creativity and innovation that comes from freedom,” and that such countries “will never fully be a part of the international community or the modern world with systems that belong in the 18th century.”<sup>62</sup> Some human rights and democracy activists and opposition politicians in Azerbaijan praised Rice’s remarks as possibly spurring reforms.

Besides President Aliyev, six other candidates were registered for the presidential election. After a pre-election visit, a PACE delegation stated that it was “heartened by the assurances it received from top Azerbaijani representatives that their goal is to hold an orderly and well-administered election that complies with European standards.”<sup>63</sup> An interim report issued by OSCE ODIHR on September 22 praised some aspects of the upcoming election but raised concerns about the reduction of the campaign period to less than one month, the prohibition of mass rallies in the center of Baku, “the lack of pluralism in the country’s broadcasting sector and media,” and the domination of electoral commissions by pro-government representatives.<sup>64</sup> The tiny opposition Umid (Hope) Party alleged that its candidate, Igbal Agazade, a member of the Milli Majlis and the leader of the party, “is being obstructed in every way possible.” Candidate Qudrat Hasanquliyev was denied financial support by the Central Electoral Commission that was supposed to be given to all candidates, allegedly because he had not returned some unspent funds from an earlier campaign.<sup>65</sup>

**Georgia.** Georgia experienced increased political instability in the early 2000s as President Shevardnadze appeared less committed to economic and democratic reforms. Polls before a November 2, 2003 legislative race and exit polling during the race suggested that the opposition National Movement (NM) and the United Democrats (UD) would win the largest shares of seats in the party list vote. Instead, mostly pro-Shevardnadze candidates were declared winners. Demonstrators launched a peaceful “rose revolution” that led to Shevardnadze’s resignation on November 23. Russia and the United States appeared to cooperate during the crisis to urge Georgians to abjure violence.

UD and NM agreed to co-sponsor NM head Saakashvili for a January 4, 2004, presidential election. He received 96% of 2.2 million popular votes from a field of five candidates. OSCE observers judged the vote as bringing Georgia closer to meeting democratic electoral standards. Legislative elections were held in March 2004 involving 150 party list seats (winners of district seats in November retained them). NM and the “Burjanadze Democrats” ran on a joint list and captured 67.2% of 1.53 million votes, giving the bloc a majority of seats, seemingly ensuring firm

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<sup>62</sup> RFE/RL, *Radio Free Europe on ‘Front Lines of Freedom,’ Says Rice*, July 8, 2008.

<sup>63</sup> PACE. *Azerbaijan: Statement by PACE Pre-Election Delegation*, Press Release 642, September 18, 2008.

<sup>64</sup> OSCE. ODIHR. *2008 Presidential Election in Azerbaijan: Interim Report 1*, September 22, 2008.

<sup>65</sup> CEDR, September 19, 2008, Doc. No. CEP-950397; September 23, 2008, Doc. No. CEP-950367.



legislative support for Saakashvili's policies. The OSCE judged the election as the most democratic since Georgia's independence.

President Bush visited Georgia on May 9-10, 2005, and praised its "rose revolution" for "inspiring democratic reformers" and freedom "from the Black Sea to the Caspian and to the Persian Gulf and beyond." President Saakashvili hailed the Bush visit as marking "final confirmation that Georgia is an independent country whose borders and territory are inviolable" and stressed that the U.S.-Georgian "partnership" ultimately was based on "our shared belief in freedom" and was the reason Georgia had sent troops to Iraq to end "enslavement" there.<sup>66</sup>

**Political Turmoil in late 2007.** Increased political instability in Georgia in late 2007 raised questions in the United States, NATO, and elsewhere about whether the country could sustain its democratization progress. Oppositionist activities appeared to strengthen after the detention on corruption charges of former Defense Minister Irakli Okruashvili in late September 2007, in the wake of his sensational allegations that Saakashvili had once ordered him to kill prominent businessman Badri Patarkatsishvili. Several opposition parties united in a "National Council" that launched demonstrations in Tbilisi on November 2 to demand that legislative elections be held in spring 2008 (instead of in late 2008 as set by a constitutional change approved by the NM-dominated legislature), and that Saakashvili resign. On November 7, police and security forces forcibly dispersed demonstrators, reportedly resulting in several dozen injuries. Security forces also shut down the independent Imedi ("Hope") television station, which had aired opposition grievances. Saakashvili declared a state of emergency for 15 days, giving him enhanced powers. He claimed that the demonstrations had been part of a coup attempt orchestrated by Russia, and ordered three Russian diplomats to leave the country.

U.S. and other international criticism of the crackdown may have played an important role in Saakashvili's decision to step down as president on November 25, 2007, so that early presidential elections could be held on January 5, 2008, "because I, as this country's leader, need an unequivocal mandate to cope with all foreign threats and all kinds of pressure on Georgia."<sup>67</sup> At the same time, a plebiscite was to be held on whether to have a spring or fall legislative election and on whether Georgia should join NATO. Imedi renewed its broadcasts on December 12, and became for a time the main television outlet for opposition candidates in the election. Saakashvili ran against five other candidates. Georgia's Central Electoral Commission reported on January 13, 2008, that Saakashvili had won over 53% of the vote, and he was inaugurated on January 20, 2008. In a preliminary assessment, the OSCE stated that the election broadly met its standards, but that troubling irregularities needed to be addressed. The plebiscite endorsed holding a spring 2008 legislative election and Georgia's aim to join NATO (See also CRS Report RS22794, *Georgia's January 2008 Presidential Election*, by Jim Nichol).

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<sup>66</sup> The White House. Office of the Press Secretary. *President and President Saakashvili Discuss NATO, Democracy*, May 10, 2005. See also Saakashvili's remarks in *CEDR*, May 4, 2005, Doc. No. CEP-26020.

<sup>67</sup> *CEDR*, November 8, 2007, Doc. No. CEP-950428.

A legislative election was held on May 21, 2008. Twelve parties and blocs were registered to compete for 75 seats to be allocated by party lists and 75 seats by single-member constituencies. The dominant NM pledged to reduce poverty and argued that its stewardship had benefitted the country. The main opposition bloc, the United Opposition Movement, called for President Saakashvili to resign from office and claimed that NM was subverting the electoral process to retain power. The Central Electoral Commission announced that NM won the largest share of the party list vote and also 71 of 75 constituency races, giving it a total of 119 out of 150 seats in the legislature. The United Opposition won a total of 17 seats, the opposition Christian Democrats six seats, the opposition Labor Party six seats, and the opposition Republican Party two seats. Some observers argued that the opposition had harmed its chances by failing to unite in one bloc and that the NM also benefitted from several popular businessmen who ran on its ticket in constituency races.

International observers from the OSCE and other European organizations concluded that the Georgian government “made efforts to conduct these elections in line with OSCE and Council of Europe commitments,” but “a number of problems ... made this implementation uneven and incomplete.” Among the problems were wide variations in the populations of single-mandate electoral districts, which the observers stated “undermines the fundamental principle of the equality of the vote,” a ban on self-nominated candidates, the use of government resources for campaign purposes, the lack of balance in media coverage, a “contradictory and ambiguous” electoral complaint and appeal process, and troubling irregularities in vote-counting.<sup>68</sup> At a large rally on May 26, a leader of the United Opposition, Levan Gachechiladze, reportedly declared that the election had been falsified and should be annulled. Most United Opposition deputies have refused to attend legislative sessions.

## U.S. Aid Overview

The United States is the largest bilateral aid donor by far to Armenia and Georgia, and the two states are among the five Eurasian states that each have received more than \$1 billion in U.S. aid FY1992-FY2005 (the others are Russia, Ukraine, and Kazakhstan, which have received sizeable Comprehensive Threat Reduction funds). See **Table 1**. U.S. assistance to the region FY1992-FY2007 amounts to about 14% of all aid to Eurasia and has included FREEDOM Support Act (FSA) programs, food aid (U.S. Department of Agriculture), Peace Corps, and security assistance. Armenia and Georgia have regularly ranked among the top world states in terms of per capita U.S. aid, indicating the high level of concern within the Administration and Congress. In Foreign Operations Appropriations for FY1998 (P.L. 105-118), Congress created a new South Caucasian funding category to emphasize regional peace and development, and since then has upheld this funding category in yearly appropriations. Congress also has called for humanitarian aid to be provided to NK, which has amounted to \$29 million from FY1998 through FY2007. Besides bilateral aid, the United States contributes to multilateral

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<sup>68</sup> OSCE. International Election Observation Mission. *Georgia: Parliamentary Elections, 21 May 2008, Statement of Preliminary Findings and Conclusions*, May 22, 2008.

organizations such as the International Monetary Fund and the World Bank that aid the region.

In January 2004, Congress authorized a major new global assistance program, the Millennium Challenge Account (Section D of P.L. 108-199). A newly established Millennium Challenge Corporation (MCC) deemed that Georgia was eligible as a democratizing country for assistance, even though it did not meet criteria on anti-corruption efforts. In September 2005, MCC signed a five-year, \$295.3 million agreement (termed a “compact”) with Georgia to improve a road from Javakheti to Samtskhe, repair a gas pipeline, create a small business investment fund, set up agricultural grants, and improve municipal and rural water supply, sanitation, irrigation, roads, and solid waste treatment. The MCC reported in May 2008 that it had so far disbursed \$48.8 million to Georgia.

In December 2005, the MCC approved plans to sign a five-year, \$235.65 million compact with Armenia — to bolster rural agriculture through road-building and irrigation and marketing projects — but raised concerns about the November 2005 constitutional referendum. Following assurances by then-Foreign Minister Oskanyan that Armenia would address democratization shortfalls, the MCC and Armenia signed the compact, and it went into force in September 2006.<sup>69</sup> The MCC reported that as of May 2008 it had disbursed \$18.8 million to Armenia. It reported that work had just begun on road construction in the Gyumri region. After the political turmoil in Armenia in March 2008, the MCC indicated that it might have to reconsider assistance to Armenia. In testimony in April 2008, Deputy Assistant Secretary Bryza stated that “we hope to see Armenia and President Sargisyan take dramatic steps that restore the democratic momentum so that the Millennium Challenge program can continue.”<sup>70</sup>

**U.S. Assistance After the Russia-Georgia Conflict.** To address Georgia’s urgent humanitarian needs in the wake of the August 2008 Russia-Georgia conflict, the U.S. Agency for International Development (USAID) and the Defense and State Departments provided \$38.36 million in direct humanitarian assistance to Georgia (as of September 5). The Defense Department announced on September 8 that it had completed its naval and air delivery of urgent humanitarian supplies to Georgia.

On September 3, the United States announced a multi-year \$1 billion aid plan for Georgia. Details of the plan remain unclear. According to the State

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<sup>69</sup> Millennium Challenge Corporation. *Ambassador Danilovich’s letter to Armenian President Robert Kocharyan*, December 16, 2005; *Press Release: Millennium Challenge Corporation Board Approves Armenia Compact but Expresses Concern Regarding Irregularities in the November Referendum*, December 19, 2005; and *Ambassador Danilovich’s letter to Armenian President Robert Kocharyan*, January 18, 2006, [<http://www.mca.gov>]. See also Armenian Foreign Ministry. *Oskanyan Thanks MCC for Millennium Compact*, January 12, 2006 [<http://www.armeniaforeignministry.com>].

<sup>70</sup> U. S. Commission on Security and Cooperation in Europe (Helsinki Commission). *Hearing, Armenia after the Election*, Testimony by Deputy Assistant Secretary of State Matthew Bryza, April 17, 2008.

Department's Deputy Director of Foreign Assistance Richard Greene, the plan includes about \$370 million in FY2008-FY2009 funds that "we think we can do through existing reprogramming authorities," while another \$200 million will "require congressional reauthorization of several acts that [are] generic State Department and [Defense Department] authorities." He stated that for the remaining proposed \$430 million in funding for 2010, "it is our hope and expectation that the next Congress and the next administration will provide that funding." A White House fact sheet states that \$150 million of the \$1 billion will be provided by the Overseas Private Investment Corporation for private sector investment projects in Georgia.<sup>71</sup>

The proposed \$1 billion aid package is in addition to existing aid and requests for Georgia (see **Table 1** for FY2008 estimated aid and the FY2009 request). The added aid is planned for humanitarian needs, particularly for internally displaced persons, for the reconstruction of infrastructure and facilities that were damaged or destroyed during the Russian invasion, and for safeguarding Georgia's continued economic growth. Besides the aid package, the White House announced that other initiatives might possibly include broadening the U.S. Trade and Investment Framework Agreement with Georgia, negotiating an enhanced bilateral investment treaty, proposing legislation to expand preferential access to the U.S. market for Georgian exports, and facilitating Georgia's use of the Generalized System of Preferences. White House encouragement also was central to the elaboration by the IMF of a 18-month stand-by assistance package of \$750 million for Georgia, which received final approval by the IMF in mid-September 2008.<sup>72</sup>

On September 10, 2008, Deputy Assistant Secretary Bryza indicated that the Administration was considering that \$250 million of the proposed \$1 billion could be provided "quickly." Perhaps among this funding, the MCC announced on September 17 that it planned new funding of \$100 million for Georgia to enhance existing programs, pending notification of Congress and the approval of Georgia.

## U.S. Security Assistance

The United States has provided some security assistance to the region, and bolstered such aid after September 11, 2001. In testimony in March 2005, Gen. James Jones, then-head of U.S. European Command (EUCOM), stated that "the Caucasus is increasingly important to our interests. Its air corridor has become a crucial lifeline between coalition forces in Afghanistan and our bases in Europe. Caspian oil, carried through the Caucasus, may constitute as much as 25 percent of the world's growth in oil production over the next five years ... This region is a

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<sup>71</sup> U.S. Department of State. Secretary Condoleezza Rice. *Remarks On U.S. Economic Support Package for Georgia*, September 3, 2008; *Briefing On U.S. Economic Support Package for Georgia*, September 3, 2008.

<sup>72</sup> Venla Sipila, "IMF, U.S. Confirm Financial Assistance to War-Torn Georgia," *Global Insight*, September 4, 2008.

geographical pivot point in the spread of democracy and free market economies to the states of Central and Southwest Asia.”<sup>73</sup>

EUCOM initiatives in the region have included the Sustainment and Stability Operations Program (SSOP) in Georgia, the South Caucasus Clearinghouse, and the Caspian Regional Maritime Security Cooperation program. The 16-month SSOP was launched in early 2005 as a follow-on to the Georgia Train and Equip Program (GTEP).<sup>74</sup> SSOP was funded at \$60.5 million in FY2005. SSOP provided training for four battalions (2,000 troops), in part to support U.S.-led coalition operations. In July 2006, the United States announced that the SSOP would be extended another year and funded at \$30 million.<sup>75</sup> Prior to the Russia-Georgia conflict, the U.S. was providing initial military training to Georgia’s 4<sup>th</sup> Brigade for its eventual deployment to Iraq in Winter 2008. The Defense Department planned to budget approximately \$35 million for this training.<sup>76</sup>

The Clearinghouse aims to facilitate cooperation by sharing data on security assistance among both donor and recipient countries. Gen. Bantz John Craddock, then-Commander of EUCOM, testified in March 2008 that the Caspian Regional Maritime Security Cooperation program aims to “coordinate and complement U.S. government security cooperation activities in Azerbaijan and Kazakhstan. U.S. Naval Forces Europe continues to promote Maritime Safety and Security and Maritime Domain Awareness in the Caspian Sea through routine engagement with Azerbaijan. These efforts are targeted to create an organic ability within Azerbaijan to ‘observe, evaluate, and respond’ to events in their maritime domain.”<sup>77</sup> (This program appears to combine elements of the former Caspian Guard and Hydrocarbons programs.) The United States acknowledged in late 2005 that it had supplied two maritime surveillance radars to help detect and direct interdiction of illicit weapons of mass destruction and other trafficking in the Caspian Sea.<sup>78</sup> In

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<sup>73</sup> U.S. Senate. Committee on Armed Services. *Testimony by Gen. James Jones*, March 1, 2005. See also CRS Report RL30679, *Armenia, Azerbaijan, and Georgia: Security Issues and Implications for U.S. Interests*, by Jim Nichol.

<sup>74</sup> U.S. officials explained that the \$64 million GTEP carried out in 2002-2004 would help Georgian military, security, and border forces to combat Chechen, Arab, Afghani, Al Qaeda, and other terrorists who allegedly had infiltrated Georgia. Some of these terrorists allegedly had fled U.S.-led coalition operations in Afghanistan, so the GTEP was initially linked to OEF. Other reported U.S. aims include bolstering Georgia’s ability to guard its energy pipelines and ensuring internal stability. The program formally ended in April 2004.

<sup>75</sup> “U.S. Allocates \$30 mln for SSOP Army Training Program,” *Civil Georgia*, July 17, 2006.

<sup>76</sup> Senate Armed Services Committee. Hearing on the Georgia-Russia Crisis: Implications and U.S. Response. *Testimony of Eric S. Edelman, Under Secretary of Defense for Policy*, September 9, 2008.

<sup>77</sup> U.S. Senate. Committee on Armed Services. *Statement of General Bantz J. Craddock*, March 13, 2008.

<sup>78</sup> “Two Radar Stations Become Operational in Azerbaijan under the U.S.-Funded Caspian Guard Initiative,” *International Export Control Observer*, Center for Non-proliferation (continued...)

November 2004, Gen. Charles Wald, then-deputy head of EUCOM, suggested that the Administration was exploring the establishment of “cooperative security locations” (CSLs) — sites without a full-time U.S. military presence that would be used for refueling and short-duration deployments — in Azerbaijan or Georgia.<sup>79</sup>

In the wake of the early August 2008 Russia-Georgia conflict that severely damaged Georgia’s military capabilities, NATO’s Supreme Allied Commander for Europe, Gen. Craddock, visited Georgia on August 21 to survey the destruction of infrastructure and military assets. The Department of Defense sent a team to Tbilisi on September 11 to evaluate Georgia’s economic, infrastructure, and defense needs.

All three regional states joined NATO’s Partnership for Peace (PFP) in 1994. The June 2004 NATO summit pledged enhanced attention to the South Caucasian and Central Asian PFP members. A Special Representative of the NATO Secretary General was appointed to encourage democratic civil-military relations, transparency in defense planning and budgeting, and enhanced force inter-operability with NATO. In 2004-2005, all three states agreed with NATO to participate in Individual Partnership Action Plans (IPAPs) for military and civil-military reforms. On September 21, 2006, NATO approved Georgia’s application for “Intensified Dialogue” with the alliance, ostensibly because of Georgia’s military reform progress, although NATO also emphasized that much more reform work needed to be done before Georgia might be considered for NATO membership.

Although the United States reportedly urged that Georgia be considered for a Membership Action Plan (MAP; preparatory to membership), NATO’s Riga Summit in November 2006 reaffirmed support for an intensified dialogue to assist Georgia in implementing reforms.<sup>80</sup> A MAP for Georgia was a matter of contention at the April 2008 NATO Summit. Although Georgia was not offered a MAP, the Alliance pledged that Georgia would eventually become a member of NATO, and stated that the issue of a MAP for Georgia would be revisited in December 2008.<sup>81</sup> The NATO Freedom Consolidation Act of 2007, signed into law in April 2007 (P.L. 110-17), urged NATO to extend a MAP for Georgia and designated Georgia as eligible to receive security assistance under the program established by the NATO Participation Act of 1994 (P.L. 103-447) (see also below, *Legislation*). Troops from Armenia, Azerbaijan, and Georgia have served as peacekeepers in NATO-led operations in

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<sup>78</sup> (...continued)

Studies, Monterey Institute of International Studies, November 2005.

<sup>79</sup> Vince Crawley, *Army Times*, November 22, 2004.

<sup>80</sup> NATO. North Atlantic Council. *Riga Summit Declaration*, November 29, 2006. President Bush stated that the United States supported Georgia’s NATO membership. “Remarks By President Bush In Riga, Latvia,” *PR Newswire*, November 28, 2006. Sen. Richard Lugar urged soon granting Georgia a MAP and suggested that NATO’s energy security would be facilitated by eventually offering NATO membership to Azerbaijan and Kazakhstan. “Senator Lugar Delivers Remarks at the Riga Summit, Latvia,” *Congressional Quarterly Transcripts*, November 27, 2006.

<sup>81</sup> See also CRS Report RL34415, *Enlargement Issues at NATO’s Bucharest Summit*, by Paul Gallis, Paul Belkin, Carl Ek, Julie Kim, Jim Nichol, and Steven Woehrel.

Kosovo, and Azerbaijan supports NATO-led operations in Afghanistan. In mid-April 2008, Georgia withdrew its 150 peacekeepers from Kosovo.

Until waived, Section 907 had prohibited much U.S. security aid to Azerbaijan, including Foreign Military Financing (FMF), and International Military Education & Training (IMET). Under U.S. policy, similar aid had not been provided to Azerbaijan's fellow combatant Armenia. From 1993-2002, both had been on the Munitions List of countries ineligible for U.S. arms transfers. Since the waiver provision to Section 907 was enacted, some Members have maintained that the Armenian-Azerbaijani military balance is preserved by providing equal amounts (parity) in IMET and FMF assistance to each country. In FY2005, the conference report (H.Rept. 108-792) on H.R. 4818 (P.L. 108-447; Consolidated Appropriations) directed that FMF funding for Armenia be boosted to match that for Azerbaijan (from \$2 million as requested to \$8 million). The Members appeared to reject the Administration's assurances that the disparate aid would not affect the Armenia-Azerbaijan military balance or undermine peace talks.

Apparently in anticipation of similar congressional calls, the Administration's FY2006 foreign aid budget requested equal amounts of FMF as well as IMET for each country. However, the FY2007 and FY2008 budget requests called for more such aid for Azerbaijan than for Armenia. Under enacted appropriations provisions, equal amounts of such aid were provided in FY2007. Consolidated appropriations for FY2008 (P.L. 110-161) specified equal amounts of FMF (\$3 million) for each country. The FY2009 budget request calls for \$3 million for FMF for each country but \$300,000 for IMET for Armenia and \$900,000 for IMET for Azerbaijan.

## **U.S. Trade and Investment**

The Bush Administration and others maintain that U.S. support for privatization and the creation of free markets directly serve U.S. national interests by opening markets for U.S. goods and services and sources of energy and minerals. Among U.S. economic links with the region, bilateral trade agreements providing for normal trade relations for products have been signed and entered into force with all three states. Bilateral investment treaties providing national treatment guarantees have entered into force. U.S. investment is highest in Azerbaijan's energy sector, but rampant corruption in the three regional states otherwise has discouraged investors. With U.S. support, in June 2000 Georgia became the second Eurasian state (after Kyrgyzstan) to be admitted to the WTO. The application of Title IV of the Trade Act of 1974, including the Jackson-Vanik amendment, was terminated with respect to Georgia in December 2000, so its products receive permanent nondiscriminatory (normal trade relations or NTR) treatment. Armenia was admitted into WTO in December 2002. The application of Title IV was terminated with respect to Armenia in January 2005.

## **Energy Resources and U.S. Policy**

The U.S. Energy Department reports estimates of 7-13 billion barrels of proven oil reserves, and estimates of 30-48 trillion cubic feet of proven natural gas reserves

in Azerbaijan.<sup>82</sup> U.S. policy goals regarding energy resources in Central Asia and the South Caucasus are reflected in the Administration's 2001 energy policy report.<sup>83</sup> They include supporting the sovereignty of the states, their ties to the West, and U.S. private investment; breaking Russia's monopoly over oil and gas transport routes by encouraging the building of pipelines that do not traverse Russia; promoting Western energy security through diversified suppliers; assisting ally Turkey; and opposing the building of pipelines that transit Iran. The report recommended that the President direct U.S. agencies to support building the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, expedite use of the pipeline by oil firms operating in Kazakhstan, and support constructing a gas pipeline to export Azerbaijani gas. Since September 11, 2001, the Administration has emphasized U.S. vulnerability to possible energy supply disruptions and has encouraged Caspian energy development. Critics argue that oil and gas from Azerbaijan will amount to a tiny percent of world exports of each resource, but the Administration argues that these exports will nonetheless boost energy security somewhat for European customers currently relying on Russia.

The United States in 1995 encouraged the building of one small oil pipeline (with a capacity of about 100,000 barrels per day) from Azerbaijan to a Georgian Black Sea port as part of a strategy of ensuring that Russia did not monopolize east-west export pipelines. As part of this strategy, the United States also stressed building the BTC pipeline (with a capacity of about 1 million barrels per day) as part of a "Eurasian Transport Corridor." In November 1999, Azerbaijan, Georgia, Turkey, and Kazakhstan signed the "Istanbul Protocol" on construction of the 1,040-mile long BTC oil pipeline. In August 2002, the BTC Company (which includes U.S. firms Conoco-Phillips, Amerada Hess, and Chevron) was formed to construct, own, and operate the oil pipeline. Azerbaijani media reported at the end of May 2006 that the first tanker began on-loading oil at Ceyhan. Reportedly, some Azerbaijani oil reaches U.S. markets.

A gas pipeline from Azerbaijan to Turkey (termed the South Caucasus Pipeline or SCP) was completed in March 2007, and exports initially are planned to be 233 billion cubic feet per year. The joint venture for the SCP includes Norway's Statoil (20.4%), British Petroleum (20.4%), Azerbaijan's Ministry of Industry and Energy (20%), and companies from Russia, Iran, France, and Turkey. Some in Armenia object to lack of access to the BTC and SCP pipelines.

Some observers argue that the completion of the BTC and SCP has boosted awareness in the European Union and the United States of the strategic importance of the South Caucasus.<sup>84</sup> In mid-November 2007, Greek Prime Minister Kostas Karamanlis and Turkish Prime Minister Recep Tayyip inaugurated a gas pipeline

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<sup>82</sup> U.S. Department of Energy. Energy Information Administration. *Azerbaijan Country Analysis Brief*, December 2007.

<sup>83</sup> The White House. The National Energy Policy Development Group. *Reliable, Affordable, and Environmentally Sound Energy for America's Future*, May 16, 2001.

<sup>84</sup> Jaba Devdariani and Blanka Hancilova, "EU Broaches Peacekeeping Possibility in Georgia," *Central Asia-Caucasus Analyst*, March 7, 2007; Rovshan Ismayilov, "Azerbaijan, Georgia and Turkey: Building a Transportation Triumvirate?" *Eurasia Insight*, February 7, 2007.



connecting the two countries. The ceremony was attended by Azerbaijani President Ilkham Aliyev and U.S. Energy Secretary Samuel Bodman. Since some Azerbaijani gas will reach Greece, the pipeline represents the beginning of gas supplies from the Caspian region to the EU. If a pipeline extension is built to Italy, this TGI pipeline could permit Azerbaijan to supply gas to two and perhaps more EU members, providing a source of supply besides Russia.

In March 2007, Azerbaijan and the United States signed a memorandum of understanding on energy cooperation that called for discussions on the proposed TGI pipeline and a potential EU-backed Nabucco gas pipeline from Turkey to Austria. In June 2007 and at subsequent forums, Deputy Assistant Secretary Bryza has urged building the TGI and Nabucco gas pipelines and a trans-Caspian gas pipeline, so that Azerbaijani and Central Asian gas could be transported to Europe. He has argued that these routes would be more economical than routes through Russia. In August 2007, the U.S. Trade Development Administration granted Azerbaijan \$1.7 million to fund feasibility studies on building both an oil and a gas pipeline across the Caspian Sea to link to the BTC pipeline and the SCP. The Nabucco pipeline has faced numerous delays, some of them attributable to Russia's counter-proposals to build pipelines that appear to reduce the efficacy of the Nabucco pipeline and questions about supplies for the pipeline (see below). Latest EU planning calls for construction on the Nabucco pipeline to begin in 2010 and be completed in 2013.

Some analysts raise concerns that without a trans-Caspian gas pipeline, there will not be enough Azerbaijani gas to fill either the TGI or Nabucco pipelines, and argue that Iran also should be considered as a gas supplier.<sup>85</sup> Others suggest that Azerbaijan will be able to supply at least most of the needed gas for both the TGI and Nabucco pipelines, because of recent promising indications that there may be a huge new reservoir of gas off the Caspian seacoast. Highlighting this point, Deputy Assistant Secretary Bryza stated in March 2008 that "we now believe as an official U.S. Government view ... that Azerbaijan has enough gas to fill TGI, to launch Nabucco, and perhaps even to fill Nabucco." He stressed, nonetheless, that the United States also backed a trans-Caspian gas pipeline as an additional source of supply for TGI and Nabucco.<sup>86</sup>

Putin reached agreement in May 2007 with the presidents of Turkmenistan and Kazakhstan on the construction of a new pipeline to transport Turkmen and Kazakh gas to Russia. This agreement appears to compete with U.S. and EU efforts to foster building a trans-Caspian gas pipeline to link to the SCP to Turkey. It also appears to compete with U.S. and EU efforts to foster building the Nabucco gas pipeline from Turkey to Austria.<sup>87</sup>

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<sup>85</sup> U.S. Department of State. *Transcript: U.S. Official Discusses Energy Security Agreement with Azerbaijan*, March 22, 2007; Associated Press, June 6, 2007.

<sup>86</sup> U.S. Department of State. *Trans-Caspian and Balkan Energy Security: Matthew Bryza, Deputy Assistant Secretary of State for European and Eurasian Affairs, On-the-Record Briefing with Greek Media*, March 18, 2008.

<sup>87</sup> According to some observers, Russia's efforts to discourage the building of a trans-Caspian gas pipeline included an agreement with Turkey in December 1997 that  
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On March 19, 2007, Armenian President Robert Kocharyan and Iranian President Mahmoud Ahmadinejad inaugurated an 88-mile gas pipeline from Tabriz in Iran to Kadjaran in Armenia. Initial deliveries reportedly will be 14.1 billion cubic feet per year of Iranian (and possibly Turkmen) gas. The Russian-controlled ArmRosGazprom joint venture operates the Iran-Armenia pipeline. Work has started on the second part of the pipeline, a 123 mile section from Kadjaran to Ararat. When it is completed in early 2009, 88.3 billion cubic feet of gas per year will be supplied. Some of this gas will be used to generate electricity for Iran and Georgia, but the remainder may satisfy all Armenia's other consumption needs, removing its dependence on Russian gas transported via Georgia.<sup>88</sup>

## 110<sup>th</sup> Congress Legislation

### **P.L. 110-17 (S. 494, Lugar)**

The NATO Freedom Consolidation Act of 2007. Endorses NATO enlargement and the timely admission of new NATO members. Urges NATO to extend a Membership Action Plan for Georgia. Designates Georgia as eligible to receive security assistance under the program established by the NATO Participation Act of 1994 (P.L. 103-447). Introduced on February 6, 2007. Ordered to be reported without amendment by the Foreign Relations Committee on March 6, 2007 (H.Rept. 110-34). Passed the Senate on March 16, 2007. Passed the House on March 26, 2007. Signed into law on April 9, 2007 (P.L. 110-17).

### **P.L. 110-53 (H.R. 1, Bennie Thompson)**

Implementing the 9/11 Commission Recommendations Act of 2007. Introduced on January 5, 2007. Passed the House on January 9, 2007. Passed the Senate with an amendment in the nature of a substitute on July 9, 2007. Conference report (H.Rept. 110-259) agreed to in the Senate on July 26 and in the House on July 27. Signed into law on August 3, 2007 (P.L. 110-53). Title 21 calls for the executive branch to promote democratization and respect for human rights in nondemocratic and democratic transition countries. Sec. 2033 calls for expanding scholarship,

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<sup>87</sup> (...continued)

Russia would build a trans-Black Sea pipeline (termed "Blue Stream") to supply gas to Turkey. By building this pipeline, Russia hoped to discourage Turkey from importing Caspian Sea region or Middle Eastern gas, which could be trans-shipped to Europe, according to these observers. Despite these Russian efforts (the Blue Stream project was completed in 2005), Turkey still signed a framework agreement in 1998 and a gas supply agreement in May 1999 with Turkmenistan that envisaged the building of either a pipeline traversing Iran or a trans-Caspian route through Azerbaijan and Georgia (a gas pipeline from Tabriz to Ankara began operating in 2001, but Turkmen gas is not being sold to Turkey through this pipeline). In September 1999, Turkmenistan also joined Azerbaijan, Georgia, and Turkey in signing a declaration on a trans-Caspian gas pipeline. Plans at that time for a trans-Caspian gas pipeline, however, were derailed in 2000 by a clash between Turkmenistan and Azerbaijan over how much gas each nation could ship through the Baku-Turkey leg of the prospective gas pipeline, and by Turkmenistan's rejection of proposals from a consortium formed to build the trans-Caspian leg of the pipeline.

<sup>88</sup> *Platt's Commodity News*, May 31, 2007.

exchange, and library programs in predominantly Muslim countries to enhance respect for democracy and human rights.

**H.Res. 102/H.Res. 155 (Crowley)/S.Res. 65 (Biden)**

Condemns the assassination of Turkish-Armenian journalist and human rights advocate Hrant Dink. H.Res. 102 was introduced and referred to the Committee on Foreign Affairs on January 29, 2007. H.Res. 155 was introduced and referred to the Committee on Foreign Affairs on February 12, 2007. S.Res. 65 was introduced and referred to the Foreign Relations Committee on February 1, 2007. Ordered to be reported with an amendment in the nature of a substitute on March 28, 2007. Placed on the legislative calendar on March 29, 2007.

**H.Res. 106 (Schiff)/S.Res. 106 (Durbin)**

Calls on the President to ensure that the foreign policy of the United States reflects appropriate understanding and sensitivity concerning issues related to human rights, ethnic cleansing, and genocide documented in the United States record relating to the Armenian Genocide. H.Res. 106 was introduced on January 30, 2007. S.Res. 106 was introduced on March 14, 2007. H.Res. 106 was ordered to be reported by the House Foreign Affairs Committee on October 10, 2007.

**P.L. 110-161, H.R. 2764 (FY2008)**

Consolidated Appropriations Act for FY2008. On December 17, 2007, the House considered two amendments to H.R. 2764 as received from the Senate. The first amendment inserted a Consolidated Appropriations Act covering eleven regular appropriations bills, including Division J: Department of State, Foreign Operations, and Related Programs. The 2<sup>nd</sup> amendment dealt with emergency supplemental military funding. Agreed to in the House on December 17, 2007. The Senate offered an amendment to House amendment 2, and concurred with House amendment 1. On December 19, the message on the Senate action was received in the House. The House agreed with the Senate amendment to the House amendment 2, and the bill was cleared for the White House. Signed into law on December 26, 2007. Calls for \$58.5 million in Freedom Support Act aid for Armenia, \$19 million for Azerbaijan, and \$50.5 million for Georgia. Also provides equal amounts of \$3 million each for Armenia and Azerbaijan in Foreign Military Financing (all amounts are subject to a budget rescission of .81%, to be applied with some discretion on a country-by-country basis). Restates exceptions to Section 907 of the FREEDOM Support Act. Provides that funds made available for the Southern Caucasus region may be used, notwithstanding any other provision of law, for confidence-building measures and other activities in furtherance of the peaceful resolution of the regional conflicts, especially those in the vicinity of Abkhazia and Nagorno Karabakh.

**H.R. 2869 (Pitts)**

The Central Asia Education Enhancement Act of 2007. Directs the Secretary of State to establish a pilot program of public policy internships in the United States for undergraduate and graduate students from Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, and Uzbekistan. Introduced and referred to the Foreign Affairs Committee on June 26, 2007.

**S.Res. 33 (Lugar)**

Urges the U.S. government to open negotiations on a free trade agreement with Georgia to eliminate tariffs and non-tariff barriers on trade in goods. Introduced and referred to the Committee on Finance on January 18, 2007.

**H.Con.Res. 183 (Hastings)**

Calls on the Azerbaijani government to release Farhad Aliyev and Rafiq Aliyev from detention pending a fair and open trial. Introduced and referred to the House Committee on Foreign Affairs on July 12, 2007.

**S.Res. 391 (Lugar)**

Calls on the President to express support for the planned presidential election in Georgia with the expectation that such election will be held in a manner consistent with democratic principles. Introduced and referred to the Committee on Foreign Relations on December 6, 2007. Agreed to by the Senate on December 13, 2007.

**S.Res. 439 (Lugar)/H.Res. 997 (Wexler)**

Expresses the strong support of the Senate for NATO to enter into a Membership Action Plan with Georgia and Ukraine. Senate version introduced on January 31, 2008. Agreed to by the Senate on February 14, 2008. House version introduced on February 25, 2008. Passed the House on April 1, 2008.

**S. 2563 (Lugar)**

Authorizes the extension of nondiscriminatory treatment (normal trade relations treatment) to the products of Azerbaijan. Introduced and referred to the Committee on Finance on January 29, 2008.

**S.Res. 523 (Biden)**

Expresses the strong support of the Senate for the NATO declaration at the Bucharest Summit that Ukraine and Georgia will become members of the Alliance. Urges the foreign ministers of NATO member states at their upcoming meeting in December 2008 to consider favorably the applications of the governments of Ukraine and Georgia for Membership Action Plans. Introduced on April 21, 2008. Passed the Senate on April 28, 2008.

**H.Res. 1166 (Wexler)/S.Res. 550 (Biden)**

Expresses the sense of the House/Senate regarding provocative and dangerous statements and actions made by officials of the government of the Russian Federation concerning the territorial integrity of the republic of Georgia. Condemns recent decisions made by the Russian government to establish 'official ties' with the breakaway regions of Abkhazia and South Ossetia, calls upon the Russian government to disavow this policy, which gives the appearance of being motivated by an appetite for annexation, and calls for all countries to eschew rhetoric that undermines the peace process. The House version also calls for a NATO Membership Action Plan for Georgia and for the United Nations to investigate the shutdown of unmanned aerial vehicles over Abkhazia. House version introduced on April 29, 2008. Passed the House on May 7, 2008. Senate version introduced on May 2, 2008. Approved by the Senate on June 3, 2008.

**H.Res. 1187 (Shuster)**

Promotes global energy supply security through increased cooperation among the United States, Turkey, Azerbaijan, and Georgia, by diversifying sources of energy, and implementing certain oil and natural gas pipeline projects for the safe and secure transportation of Eurasian hydrocarbon resources to world markets. Introduced on May 13, 2008, and referred to the House Committee on Foreign Affairs.

**H.R. 6079 (Schiff)**

Calls on the President and Secretary of State to urge Turkey to immediately lift its ongoing blockade with Armenia. Directs the Secretary of State to submit a report outlining the steps taken and plans made by the United States to end Turkey's blockade of Armenia. Introduced on May 15, 2008, and referred to the House Committee on Foreign Affairs.

**H.Con.Res. 421 (Schwartz)**

Calls on the International Olympic Committee to designate a new venue for the 2014 Winter Olympic Games. Introduced on September 18, 2008. Referred to the House Foreign Affairs Committee.

**H.R. 6911 (Berman)**

Stability and Democracy for Georgia Act of 2008. Authorizes assistance to meet the urgent humanitarian needs of the people of Georgia, and for other purposes. Introduced on September 16, 2008. Referred to the House Foreign Affairs Committee.

**H.R. 6851 (Hastings)**

Republic of Georgia Enhanced Trade Assistance, Economic Recovery, and Reconstruction Act of 2008. Authorizes assistance to facilitate trade with, reconstruction efforts, and economic recovery in Georgia, which are necessitated by the destruction and disruption caused by the August 2008 Russia-Georgia war. Introduced on September 9, 2008. Referred to the House Foreign Affairs Committee and the Financial Services Committee.

**H.Res. 1166 (Wexler)**

Expresses the sense of the House regarding provocative and dangerous statements and actions taken by Russia that undermine Georgia's territorial integrity. Introduced on April 29, 2008. Passed the House on May 7, 2008.

**S.Res. 612 (Biden)**

Expresses the sense of the Senate that President Bush, Russian President Medvedev, and other participants in the upcoming 2008 Group of Eight (G8) Summit in Japan should work together to foster a more constructive relationship, and that the Russian government should eschew behaviors that are inconsistent with the Group's objectives of protecting global security, economic stability, and democracy. Among such behaviors, the resolution mentions Russia's attempts to undermine the territorial integrity of Georgia through its support for Georgia's breakaway regions of South Ossetia and Abkhazia, and Russia's act of shooting down an unmanned Georgian aircraft that was flying over Abkhazia on April 20, 2008. Introduced and passed by the Senate on July 14, 2008.

**Table 1. U.S. Foreign Aid to the Region,  
FY1992-FY2008, and FY2009 Request**  
(millions of dollars)

South Caucasus Country	FY1992- FY2007 Budgeted Aid <sup>a</sup>	FY2007 Budgeted Aid <sup>a</sup>	FY2008 Estimate <sup>b</sup>	FY2009 Request <sup>b</sup>
Armenia	1,746.08	71.64	64.41	29.9
Azerbaijan	753.26	74.85	28.4	26.9
Georgia	1,898.64	131.58	66.44	69.22
Regional	38.73	2.0	—	—
<b>Total</b>	<b>4,436.71</b>	<b>280.07</b>	<b>159.25</b>	<b>126.02</b>
Percent	13.6	14	33	29

**Sources:** State Department, Office of the Coordinator for U.S. Assistance to Europe and Eurasia, January 2008; State Department, *Congressional Budget Justification for Foreign Operations, FY2008*.

a. FREEDOM Support Act and Agency budgets.

b. FREEDOM Support Act and other Function 150 funds. Includes Peace Corps funding but does not include Defense or Energy Department funding, funding for exchanges, or Millennium Challenge Corporation programs in Armenia and Georgia.

**Figure 1. Map of the Region**



**Source:** Map Resources. Adapted by CRS.